III

(Preparatory acts)

EUROPEAN CENTRAL BANK

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OPINION OF THE EUROPEAN CENTRAL BANK

of 16 February 2011

on economic governance reform in the European Union

(CON/2011/13)

(2011/C 150/01)

Introduction and legal basis

On 29 November 2010, the European Central Bank (ECB) received a request from the Council for an opinion on the following proposals (hereinafter the 'Commission proposals'):

1. proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (hereinafter the 'draft EDP') [1];

2. proposal for a Council directive on requirements for budgetary frameworks of the Member States (hereinafter the 'draft budgetary frameworks directive') [2];

3. proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area (hereinafter the 'draft budgetary enforcement procedure') [3];

4. proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area (hereinafter the 'draft excessive imbalances procedure') [4];

5. proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (hereinafter the 'draft budgetary surveillance procedure') [5];

6. proposal for a regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances (hereinafter the 'draft macroeconomic surveillance procedure') [6].

(1) COM(2010) 522.
(2) COM(2010) 523.
(3) COM(2010) 524.
(4) COM(2010) 525.
(5) COM(2010) 526.
(6) COM(2010) 527.

The ECB's competence to deliver an opinion regarding the draft EDP is based on the second subparagraph of Article 126(14) of the Treaty on the Functioning of the European Union since enforcement of the excessive deficit procedure is relevant to the primary objective of the European System of Central Banks (ESCB) of maintaining price stability in Articles 127(1) and 282(2) of the Treaty and Article 2 of the Statute of the European System of Central Banks (hereinafter the 'Statute of the ESCB').

The ECB's competence to deliver an opinion regarding the draft budgetary frameworks directive, the draft budgetary enforcement procedure, the draft excessive imbalances procedure, the draft budgetary surveillance procedure and the draft macroeconomic surveillance procedure is based on the first indent of Article 127(4) and Article 282(5) of the Treaty and the first indent of Article 4(a) of the Statute, since they are also relevant to the abovementioned primary objective of the ESCB.

In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion, with observations by the General Council.

General observations

1. The current crisis has demonstrated very clearly that ambitious reform to the economic governance framework is in the profound and overwhelming interest of the European Union, the Member States and, in particular, the euro area.

2. The ECB's note of 10 June 2010 'Reinforcing economic governance in the euro area' proposed strengthening the governance and the enforcement structures in euro area economic and budgetary policies. It also proposed selectively extending such strengthening to all EU Member States.

3. The ECB notes that the Report of the Task Force to the European Council on strengthening economic governance in the EU of 21 October 2010 (hereinafter the 'Task Force Report') made a series of additional recommendations to the Commission proposals. The ECB participated in this Task Force, although it did not subscribe to all elements of the Task Force Report.

4. The Commission proposals represent an important broadening and strengthening of the EU economic and budgetary surveillance framework and go some way in improving enforcement in the euro area. However, they fall short of the necessary quantum leap in the surveillance of the euro area, which the ECB deems necessary to ensure its stability and smooth functioning. Similarly, as stated on 4 November 2010 during the introductory statement to the press conference following the ECB's Governing Council meeting, the Task Force Report represents for the European Union a strengthening of the existing framework for budgetary and macroeconomic surveillance. However, the Governing Council considers that the Task Force Report does not go either as far as the necessary quantum leap for the euro area that it has been calling for.

5. This Opinion draws on the abovementioned ECB note 'Reinforcing econonomic governance in the euro area', on the ECB's participation in the Task Force and on its views on the Task Force Report in order to make a series of suggestions to the Commission proposals addressing the elements which the ECB considers necessary in order to progress towards a quantum leap in the economic governance of the euro area. None of these suggestions implies the need for Treaty change.

6. In this vein, the ECB notes that, upon their adoption, the Commission proposals will become a fundamental instrument to oblige the EU and Member States to conduct sound economic and budgetary policies. In the case of the euro area, further strengthening commensurate with the enhanced degree of integration among euro area Member States is all the more justified. The current crisis has amply shown that unsound economic and budgetary policies in some euro area Member States and any resulting financial instability may also directly translate into difficulties for other euro area Member States. Thus, the ECB calls on the EU legislator and the Member States to take advantage of the ongoing legislative process to strengthen the economic governance package to the maximum allowed under the current Treaties. In addition, the EU should consider at a certain point in time Treaty reform to further strengthen economic governance.

7. For the ECB, insufficient automaticity is a fundamental flaw of the Commission proposals. The ECB aknowledges that the Commission proposals represent a relative increase of automaticity if compared with the current situation, notably by means of the Commission presenting proposals to the Council rather than recommendations, and by means of the introduction of reverse qualified majority voting in the Council. The ECB is also aware that the Council exercises discretion under Articles 121 and 126 of the Treaty dealing, respectively, with the surveillance of economic and budgetary policies and with the excessive deficit procedure. In this vein, the ECB proposes that the EU legislator consider reverting the changes to the Stability and Growth Pact introduced in 2005 [1] which increased the leeway allowed to Member States in respect of their obligations under the Pact.

8. In any event, and, in addition to the increases in automaticity indicated above, the Council has the possibility of issuing a formal declaration stating that, as a rule, the Council, in all the procedures addressed in the Commission proposals, will vote in favour of continuing the procedure if so proposed or recommended by the Commission in its relevant proposal or recommendation and that, should the rule not be followed, the Council will substantiate the reasons for departing from the rule. Thus, the non-continuation of the procedure will be the exception, which, in turn, the Council will need to substantiate. While declarations are not binding, such a commitment would guide the Council's exercise of its discretion under the different procedures and hence contribute to their strengthening. Such a declaration would become part of the economic governance framework in the EU.

9. The ECB considers that such a declaration would be an indispensable element in the smooth functioning of the EU's economic governance. Should the Council not support such a declaration, the ECB recommends as an alternative a declaration by the Eurogroup engaging the 17 euro area Member States to vote in favour of the continuation of the procedures as a rule, with the need to substantiate any departures.

10. Furthermore, there are several elements showing insufficient automaticity in the Commission proposals which should be reconsidered:

(a) the draft budgetary surveillance procedure provides the possibility for Member States to depart from the adjustment path towards the medium-term budgetary objective in case of a severe economic downturn of a general nature. Given the paramount importance of fiscal sustainability, the ECB would advise against such escape clauses. Should they be maintained, the ECB recommends expressly to subject the activation of these clauses to the non-endangering of fiscal sustainability;

(b) the draft budgetary enforcement procedure provides that the Council will review interest-bearing deposits, non-interest bearing deposits and fines it imposes, on the grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned. These revision possibilities should be deleted since they appear only to contribute to lengthening the procedure and additional work for the Commission without any particular justification, given that the Commission and the Council will already have considered the circumstances at stake and the arguments of the Member State concerned prior to the Council's imposition of the financial measures;

(c) more generally, the economic governance framework should not impose on the Commission obligations which would limit its capacity to recommend or propose the continuation of the procedures. In particular, the Commission's obligation to take into account discussions within the Council as a condition for the continuation by the Commission of any procedure should be excluded.

11. In addition, the ECB recommends increasing automaticity by means of adding reverse Council qualified majority voting whenever possible, such as in the case of Council opinions on the stability and

(1) Council Regulation (EC) No 1055/2005 of 27 June 2005 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 174, 7.7.2005, p. 1) and Council Regulation (EC) No 1056/2005 of 27 June 2005 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 174, 7.7.2005, p. 5).

convergence programmes established on the basis of Article 121(3) of the Treaty and by means of including procedural steps which advance the procedure by increasing the pressure on non-compliant Member States. In this latter sense, Article 121(4) of the Treaty allows for an increase in the automaticity of the draft budgetary surveillance procedure. Furthermore, the implementation of Article 126(8) of the Treaty could create an excessive deficit procedure step under which a Member State has to prove that effective action has been taken to prevent the application of sanctions.

12. Additional political and reputational measures should be established in the draft budgetary surveillance procedure and EDP, including Member State reporting obligations and reports from the Council to the European Council. In addition, the Commission, in liaison with the ECB if it deems it appropriate, where euro area Member States or ERM II participant Member States are concerned, should conduct missions to Member States not complying with Council recommendations.

13. The ECB is also concerned that consideration of relevant factors is too lenient when assessing compliance with the reference value for the government debt ratio. While all relevant factors should be considered when the Commission prepares a report on the existence of an excessive debt ratio and while particular consideration should be given to the effect of guarantees issued by the Member States under the European Financial Stability Facility or eventually under the future European Stability Mechanism (ESM), all these factors should only be considered where the government debt ratio is declining over a three-year horizon according to the Commission's forecasts. Any relevant mitigating factors should never lead to an assessment that a Member State has no excessive debt ratio where its debt ratio exceeds the reference value and is projected to be on an increasing path.

14. The introduction of more leeway when assessing deficits in the excessive deficit procedure, notably by taking the whole range of relevant factors into account when the debt ratio is below 60 % of gross domestic product (GDP) reference value, conflicts with a strengthening in the rules. Irrespective of whether the debt ratio is above or below 60 % of GDP reference value, the relevant factors should only be taken into consideration when assessing whether the deficit is excessive where the deficit ratio, before taking into acount such factors, is close to 3 % of GDP reference value and the excess over the reference value is temporary, in line with the current rules. Finally, the numerical benchmark to assess the change in the debt ratio should be applied without delay from the entry into force of the Regulation.

15. Under the draft budgetary surveillance procedure, the ECB recommends: (a) sufficient progress towards the medium-term objective should be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures; (b) the growth rate of government expenditure should normally not exceed a projected reference medium-term growth rate of potential gross domestic product (GDP) growth; (c) the projected medium-term rate of potential GDP growth should be calculated according to the common methodology used by the Commission; (d) taking into account the impact of the structure of economic growth on revenue growth. The Code of Conduct will need to establish operational definitions of these elements ([1]).

16. The ECB strongly welcomes the introduction of a macroeconomic surveillance procedure, which closes an important lacuna in the economic governance framework. This new procedure should concentrate firmly on euro area Member States experiencing sustained losses of competitiveness and large current account deficits. Spillover effects in the euro area and the specific requirements for ensuring its smooth functioning should also be taken into account. Given the possible changing nature of crisis over time, the list of indicators to be used in connection with the procedure may evolve without, however, losing the focus of the procedure which should be the prevention of situations creating risks for economic, budgetary and financial stability in the euro area and in the EU.

([1]) 'Specifications on the implementation of the Stability and Growth Pact and Guidelines on the format and content of stability and convergence programmes', endorsed by the ECOFIN Council on 7 September 2010.

17. The scope of the procedure should by defining the term 'imbalances' address an open list of situations to be prevented by the procedure. In addition, the inclusion of the term 'vulnerabilities' in this procedure, defined as situations of possible Member State difficulty that sound macroeconomic surveillance of the economic and monetary union would reasonably cover, would reinforce the preventive nature of the procedure. It should also be clarified that the recommendations under this procedure should be consistent with the other procedures established under Articles 121, 126 and 136 of the Treaty and that the procedure takes due account of the commitments under the ERM II agreements. As to the references to the European Systemic Risk Board (ESRB) in the macroeconomic surveillance procedure, while its independence will not be affected if this procedure takes into account its warnings and recommendations, the ECB recommends introducing a reference to the need to respect the ESRB's confidentiality regime.

18. In addition, the macroeconomic surveillance procedure should be determined by transparent and effective trigger mechanisms. The assessments of macroeconomic imbalances and the recommendations for corrective action should be given broad publicity at all stages of the procedure. Increased automaticity and graduated financial sanctions should also be introduced under the draft excessive imbalances procedure, notably following the first instance of non-compliance by a Member State, with the Council recommendation following which the Council should already impose an interest-bearing deposit without the need for repeated non-compliance. The latter should be sanctioned by a fine.

19. As to the interest accruals from the non-remunerated deposits and the fines imposed on euro area Member States under the Commission proposals, they should be assigned to the ESM to be created in 2013, with an appropriate transition solution until its creation.

20. The procedures addressed in the Commission proposals should be implemented and enforced in a coherent manner. This would be facilitated by striving to the largest possible extent for simplicity, transparency and predictability when adopting and applying the resulting regulations. The scope for diverging interpretations or disputes over measurement issues should be limited and bureaucratic processes avoided.

21. The ECB suggests that the Commission missions under the budgetary and macroeconomic surveillance procedures and the excessive deficit procedure liaise with the ECB if it deems it appropriate, for missions to Member States whose currency is the euro and for Member States participating in ERM II. The ECB's participation in the missions to Greece and Ireland has proven useful. The ECB understands this participation as its contribution to economic policies, and will conduct this contribution without any prejudice to its independence in the performance of its tasks established in the Treaty.

22. The ECB sees also the need to establish an advisory body of persons of recognised competence in economic and fiscal matters to prepare an independent annual report addressed to the Union institutions on compliance by the Council and the Commission, including Eurostat, with their obligations under Articles 121 and 126 of the Treaty and under the procedures addressed in the Commission proposals. If its capacity allows, and without prejudice to its main tasks of preparing the above report, this body should also provide analysis on specific economic or budgetary issues following a request by the European Council, the Council or the Commission. This body's tasks should not infringe on the Commission's competence. The members of this body should be fully independent. The EU legislator will need to establish the administrative standing and features of this body, including its material and human resources. This body should be established under the draft budgetary surveillance procedure and references to it should be made in the other Commission proposals.

23. Regarding the draft budgetary frameworks directive, while the ECB agrees with the choice of a directive as a legal instrument, it considers that the purpose and the nature of the directive would call for national transposition as close as possible to the directive's wording. This is particularly true for the euro area Member States. In this vein, the ECB would welcome a political statement by the Eurogroup to achieve such a uniform national transposition, which could be reflected in the recitals.

24. The ECB also considers that all Member States should in any case be required to ensure independent monitoring, analysis and validation of the key elements of their budgetary frameworks. For the euro area Member States a specific chapter should be introduced, in which desirable elements in the Council Conclusions of 17 May 2010 and the Task Force Report are made mandatory for the euro area Member States by means of the directive, with the possibility for non-euro area Member States to voluntarily implement them into their legal orders, which the ECB strongly recommends. Among the desired elements, the creation of independent fiscal councils should appear as a priority in the directive, and the directive should also give due consideration to introducing a top-down approach, meaning a prior agreement on the total spending level that is then allocated in spending allotments for different ministries or government agencies.

25. All these measures should not prevent Member States from developing stronger budgetary frameworks, such as by including rules prohibiting general government structural deficits above a certain threshold of GDP. At the same time, the EU legislator should consider introducing in the directive or other legislation an obligation for Member States to adopt legislation with clear borrowing frameworks with precise definitions and limits, as this would contribute to legal certainty.

26. In addition, the ECB recommends highlighting the importance of transparent national forecasts and methodologies for their preparation. At the same time, the Commission's forecasts have to play a central role in benchmarking national forecasts.

27. Furthermore, regarding its effectiveness, the directive should refer expressly to costs imposed on national authorities for non-compliance with numerical fiscal rules, including both non-financial measures and financial sanctions at national level. Obligations to redeem in the medium-term debt exceeding amounts tolerated by the fiscal framework should be included. Specific circumstances in which temporary non-compliance is allowed would need to be defined strictly, if at all needed. Furthermore, the ECB considers that the envisaged entry into force of the ESM in 2013 should lead to a transposition deadline of 31 December 2012 instead of 31 December 2013.

28. Regarding statistics as part of the directive, the ECB favours an increase in the timeliness and reliability of the annual and quarterly government accounts reported to the Commission under Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community ([1]). The directive may contribute to simultaneous enhancement of the timeliness and reliability of general government accounts by supporting the implementation of public accounting systems on an accrual basis that are interconnected with ESA 95 based national accounts. The accounting systems should be based on internationally accepted public sector accounting standards to ensure the harmonised recognition and measurement of government transactions.

29. Regarding statistics in future legislation, the ECB notes that, as per the Task Force Report, EU legislative action is required for the 'European statistics code of practice' to become legally binding, while, in the meantime, the complete implementation of the code is accelerated, in particular regarding quality and the mandates for data collection. Moreover, Eurostat powers in assessing and monitoring the EDP notifications should be further strengthened with a focus on proactive measures to enhance the quality of government statistics.

30. Finally, the ECB warns that the Commission proposals, and in particular the reforms concerning the euro area, will imply increased work demands both at EU and national levels, which calls for consequent allocation of human and material resources.

([1]) OJ L 310, 30.11.1996, p. 1.

Drafting proposals

Where the ECB recommends amendments to the Commission proposals, specific drafting proposals are set out in the Annex accompanied by explanatory text to this effect.

Upon adoption, the citations of the proposed regulations and directive will need to reflect the submission of this opinion.

Done at Frankfurt am Main, 16 February 2011.

The President of the ECB

Jean-Claude TRICHET

ANNEX

Drafting proposals regarding the proposal for a Council regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure

(COM(2010) 522)

Text proposed by the Commission	Amendments proposed by the ECB [1]
Amendment 1 New recitals	
‘(7) The establishment of the existence of an excessive deficit based on the debt criterion and the steps leading to it should not be based solely on non-compliance with the numerical benchmark, but always take into account the whole range of relevant factors covered by the Commission report under Article 126(3) of the Treaty.	‘(7) The establishment of the existence of an excessive deficit based on the debt criterion and the steps leading to it should ~~not~~ be based ~~solely~~on non-compliance with the numerical benchmark, ~~but always~~ **and** take into account the whole range of relevant factors covered by the Commission report under Article 126(3) of the Treaty **only where the government debt ratio is declining over a three year horizon according to the Commission’s forecasts**.
(8) In the establishment of the existence of an excessive deficit based on the deficit criterion and the steps leading to it there is a need to take into account the whole range of relevant factors covered by the report under Article 126(3) of the Treaty if the government debt to gross domestic product does not exceed the reference value.	(8) In the establishment of the existence of an excessive deficit based on the deficit criterion and the steps leading to it there is a need to take into account the whole range of relevant factors covered by the report under Article 126(3) of the Treaty ~~if the government debt to gross domestic product does not exceed the reference value.~~ **only if the deficit ratio is close to the reference value and the excess over the reference value is temporary.**
(9) The Commission report under Article 126(3) of the Treaty should appropriately consider the quality of the national fiscal framework, as it plays a crucial role in supporting fiscal consolidation and sustainable public finances.	~~(9) The Commission report under Article 126(3) of the Treaty should appropriately consider the quality of the national fiscal framework, as it plays a crucial role in supporting fiscal consolidation and sustainable public finances.~~
(10) In order to support the monitoring of compliance with Council recommendations and notices for the correction of the situations of excessive deficit, there is a need that these specify annual budgetary targets consistent with the required fiscal improvement in cyclically adjusted terms, net of one-off and temporary measures.	~~(10)~~ **(9)** In order to support the monitoring of compliance with Council recommendations and notices for the correction of the situations of excessive deficit, ~~there is a need that these specify~~ annual budgetary targets ~~consistent with~~ **for** the required fiscal improvement in cyclically adjusted terms, net of one-off and temporary measures **could be supplemented by further specifications consistent with these structural targets**.
(11) The assessment of effective action will benefit from taking compliance with general government expenditure targets as a reference in conjunction with the implementation of planned specific revenue measures.	~~(11)~~ **(10)** The assessment of effective action **should be based on the required improvements to the structural balance and could be complemented** ~~will benefit from~~ **by** taking compliance with general government expenditure targets as a reference in conjunction with the implementation of planned specific revenue measures.
(12) In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns of a general nature.’	~~(12) In assessing the case for an extension of the deadline for correcting the excessive deficit, special consideration should be given to severe economic downturns of a general nature.~~’

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

The recitals should already clarify that leeway increases in the reinforced Stability and Growth Pact are to be rejected. The amendments introduced are explained in detail in this opinion's general observations and below.

Amendment 1a

Article 1(2)(b) of the proposed regulation

(Article 2(1a) (new) of Regulation (EC) No 1467/97)

Text proposed by the Commission	Amendments proposed by the ECB
'1a. When it exceeds the reference value, the ratio of the government debt to gross domestic product (GDP) is to be considered sufficiently diminishing and approaching the reference value at a satisfactory pace in accordance with Article 126 (2)(b) of the Treaty if the differential with respect to the reference value has reduced over the previous three years at a rate of the order of one-twentieth per year. For a period of 3 years from [date of entering into force of this Regulation — to be inserted], account shall be taken of the backward-looking nature of this indicator in its application.'	'1a. When it exceeds the reference value, the ratio of the government debt to gross domestic product (GDP) is to be considered sufficiently diminishing and approaching the reference value at a satisfactory pace in accordance with Article 126 (2)(b) of the Treaty if the differential with respect to the reference value has reduced over the previous three years at a rate of the order of one-twentieth per year. ~~For a period of 3 years from [date of entering into force of this Regulation - to be inserted], account shall be taken of the backward-looking nature of this indicator in its application.~~'

Explanation

The ECB is in favour of the application of the numerical benchmark to assess the change in the debt ratio without delay from the date of entry into force of the Regulation.

Amendment 2

Article 1(2)(c) of the proposed regulation

(Article 2(3) and (3a) (new) of Regulation (EC) No 1467/97)

Text proposed by the Commission	Amendments proposed by the ECB
'3. The Commission, when preparing a report under Article 126(3) of the Treaty shall take into account all relevant factors as indicated in that Article. The report shall appropriately reflect developments in the medium-term economic position (in particular potential growth, prevailing cyclical conditions, inflation, excessive macro-economic imbalances) and developments in the medium-term budgetary position (in particular, fiscal consolidation efforts in "good times", public investment, the implementation of policies in the context of the common growth strategy for the Union and the overall quality of public finances, in particular, compliance with Council Directive […] on requirements for budgetary frameworks of the Member States). The report shall also analyse developments in the medium-term debt position as relevant (in particular, it appropriately reflects risk factors including the maturity structure and currency denomination of the debt, stock-flow operations, accumulated reserves and other government assets; guarantees, notably linked to the financial sector; liabilities both explicit and implicit related to ageing and private debt to the extent that it may represent a contingent implicit liability for the government). Furthermore, the Commission shall give due consideration to any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess in qualitative terms the excess over the reference value and which the Member State has put forward to the Commission and to the Council. In that context, special consideration shall be given to financial contributions to fostering international solidarity and to achieving Union policy goals, including financial stability.	'3. The Commission, when preparing a report under Article 126(3) of the Treaty shall take into account all relevant factors as indicated in that Article. The report shall appropriately reflect developments in the medium-term economic position (in particular potential growth, prevailing cyclical conditions, inflation, ~~excessive macro-economic imbalances~~) and developments in the medium-term budgetary position (in particular, fiscal consolidation efforts in "good times", public investment, the implementation of policies in the context of the common growth strategy for the Union and the overall quality of public finances, in particular, compliance with Council Directive […] on requirements for budgetary frameworks of the Member States). The report shall also analyse developments in the medium-term debt position as relevant (in particular, it appropriately reflects risk factors including the maturity structure and currency denomination of the debt, stock-flow operations, accumulated reserves and other government assets; guarantees, notably linked to the financial sector; liabilities both explicit and implicit related to ageing and private debt to the extent that it may represent a contingent implicit liability for the government). Furthermore, the Commission shall give due consideration to any other factors which, in the opinion of the Member State concerned, are relevant in order to comprehensively assess in qualitative terms the excess over the reference value and which the Member State has put forward to the Commission and to the Council. In that context, special consideration shall be given to financial contributions to fostering international solidarity and to achieving Union policy goals, including financial stability.

Text proposed by the Commission	Amendments proposed by the ECB [1]
	When preparing a report, the Commission may request additional information from the Member State concerned. **[…]** **3a. When assessing compliance on the basis of the debt criterion, these relevant factors shall be taken into account in the steps leading to the decision on the existence of an excessive deficit provided for in paragraphs 4, 5 and 6 of Article 126 of the Treaty, only where the government debt ratio is declining over a three-year horizon according to the Commission's forecast.**
4. The Commission and the Council shall make a balanced overall assessment of all the relevant factors, specifically, the extent to which they affect the assessment of compliance with the deficit and/or the debt criteria as aggravating or mitigating factors.	4. The Commission and the Council shall make a balanced overall assessment of all the relevant factors, specifically, the extent to which they affect the assessment of compliance with the deficit and/or the debt criteria as aggravating or mitigating factors.
When assessing compliance on the basis of the deficit criterion, if the ratio of the government debt to GDP exceeds the reference value, these factors shall be taken into account in the steps leading to the decision on the existence of an excessive deficit provided for in paragraphs 4, 5 and 6 of Article 126 of the Treaty only if the double condition of the overarching principle — that, before these relevant factors are taken into account, the general government deficit remains close to the reference value and its excess over the reference value is temporary — is fully met.'	When assessing compliance on the basis of the deficit criterion, ~~if the ratio of the government debt to GDP exceeds the reference value,~~ these factors shall be taken into account in the steps leading to the decision on the existence of an excessive deficit provided for in paragraphs 4, 5 and 6 of Article 126 of the Treaty only if the double condition of the overarching principle — that, before these relevant factors are taken into account, the general government deficit remains close to the reference value and its excess over the reference value is temporary — is fully met.'

Explanation

The Commission's report in Article 2(3) referring to Article 126(3) of the Treaty appears to take into account, inter alia, 'excessive macroeconomic imbalances' which are the subject of a different proposal (COM(2010) 525). The ECB is in favour of a logical and reasonable coexistence of the different procedures. The reference to 'excessive macroeconomic imbalances' may lead to confusion, giving the impression that COM(2010) 522 and COM(2010) 525 are essentially regulating the same subject matter.

The additional reporting requirement is intended to be an incentive for compliance by the Member State, given that the Commission must prepare a report on the existence of an excessive deficit or excessive debt ratio. Compliance with the reference values would avoid the need for additional reporting.

While all relevant factors will be considered when the Commission prepares a report on the existence of an excessive debt ratio, they shall only be considered where the government debt ratio is declining. Any mitigating relevant factors should never lead to an assessment that a Member State has no excessive debt ratio where its debt ratio exceeds the reference value and is on an increasing path.

Finally, the 'close and temporary' principle with regard to the deficit criterion should be respected regardless of the debt ratio.

Amendment 3

Article 1(3)(d) of the proposed regulation

(Article 3(4a) of Regulation (EC) No 1467/97)

'4a. Within the deadline of six months at most provided for in paragraph 4, the Member State concerned shall report to the Commission and the Council on action taken in response to the Council recommendation under Article 126(7) of the Treaty. The report shall include the targets for the government expenditure and for the discretionary measures on the revenue side consistent with the Council recommendation under Article 126(7) of the Treaty, as well as information on the measures taken and the nature of those envisaged to achieve the targets. The report shall be made public.	'4a. Within the deadline of six months at most provided for in paragraph 4, the Member State concerned shall report to the Commission and the Council on action taken in response to the Council recommendation under Article 126(7) of the Treaty. The report shall include the targets for the government expenditure and for the discretionary measures on the revenue side consistent with the Council recommendation under Article 126(7) of the Treaty, as well as information on the measures taken and the nature of those envisaged to achieve the targets. The report shall be made public. **The Commission may request additional reporting from the Member State.**

Text proposed by the Commission	Amendments proposed by the ECB [1]
5. If effective action has been taken in compliance with a recommendation under Article 126(7) of the Treaty and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that recommendation, the Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) of the Treaty. The revised recommendation, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year as a rule. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its recommendation. The Council may also decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) of the Treaty in case of a severe economic downturn of a general nature.'	5. If effective action has been taken in compliance with a recommendation under Article 126(7) of the Treaty and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that recommendation, the Council may decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) of the Treaty. The revised recommendation, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year ~~as a rule~~. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its recommendation. ~~The Council may also decide, on a recommendation from the Commission, to adopt a revised recommendation under Article 126(7) of the Treaty in case of a severe economic downturn of a general nature.~~'

Explanation

Additional reporting is a tool of the Commision to incentivise Member States' compliance. A need to expressly foresee the adoption of a revised recommendation under Article 126(7) of the Treaty is not apparent.

Amendment 4

Article 4(1) of Regulation (EC) No 1467/97

(No amendment in the proposed regulation)	'(1) […] **At the same time, the Council, on a proposal from the Commission, shall immediately submit a formal report to the European Council.**'

Explanation

This is an additional element of the procedure which should incentivise compliance by the Member State concerned.

Amendment 5

Article 1(5)(b) of the proposed regulation

(Article 5(1a) of Regulation (EC) No 1467/97)

'1a. Following the Council notice given in accordance with Article 126(9) of the Treaty, the Member State concerned shall report to the Commission and the Council on action taken in response to the Council notice. The report shall include the targets for the government expenditure and for the discretionary measures on the revenue side as well as information on the actions being taken in response to the specific Council recommendations so as to allow the Council to take, if necessary, the decision in accordance with Article 6(2) of this Regulation. The report shall be made public.	'1a. Following the Council notice given in accordance with Article 126(9) of the Treaty, the Member State concerned shall report to the Commission and the Council on action taken in response to the Council notice. The report shall include the targets for the government expenditure and for the discretionary measures on the revenue side as well as information on the actions being taken in response to the specific Council recommendations so as to allow the Council to take, if necessary, the decision in accordance with Article 6(2) of this Regulation. The report shall be made public. **The Commission shall monitor and evaluate adjustment measures taken to address the excessive deficit by means of a mission to the Member State concerned, in liaison with the ECB if it deems it appropriate, for participating Member States and Member States participating in the exchange-rate mechanism (ERM II), and prepare a report to the Council. This report may be made public.**

Text proposed by the Commission	Amendments proposed by the ECB [1]
2. If effective action has been taken in compliance with a notice under Article 126(9) of the Treaty and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that notice, the Council may decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) of the Treaty. The revised notice, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year as a rule. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its notice. The Council may also decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) of the Treaty in case of a severe economic downturn of a general nature.'	2. If effective action has been taken in compliance with a notice under Article 126(9) of the Treaty and unexpected adverse economic events with major unfavourable consequences for government finances occur after the adoption of that notice, the Council may decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) of the Treaty. The revised notice, taking into account the relevant factors mentioned in Article 2(3) of this Regulation, may notably extend the deadline for the correction of the excessive deficit by one year ~~as a rule~~. The Council shall assess the existence of unexpected adverse economic events with major unfavourable consequences for government finances against the economic forecasts in its notice. ~~The Council may also decide, on a recommendation from the Commission, to adopt a revised notice under Article 126(9) of the Treaty in case of a severe economic downturn of a general nature.~~'

Explanation

Commission missions to the Member State concerned, in liaison with the ECB if it deems it appropriate, for the euro area and for Member States participating in ERM II, should contribute to the achievement of the objectives of the proposed regulation and should be an important deterrent for the non-compliant Member State.

A need to expressly foresee the adoption of a revised notice on the basis of Article 126(9) is not apparent.

Amendment 6

Article 1(14) of the proposed regulation
(Article 16 of Regulation (EC) No 1467/97)

'Fines referred to in Article 12 of this Regulation shall constitute other revenue referred to in Article 311 of the Treaty and shall be distributed among participating Member States which do not have excessive deficit as determined in accordance with Article 126(6) of the Treaty and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […/…], in proportion to their share in the total gross national income (GNI) of the eligible Member States.'	'Fines referred to in Article 12 of this Regulation shall **revert to the European Stability Mechanism.** ~~constitute other revenue referred to in Article 311 of the Treaty and shall be distributed among participating Member States which do not have excessive deficit as determined in accordance with Article 126(6) of the Treaty and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […/…], in proportion to their share in the total gross national income (GNI) of the eligible Member States~~.'

Explanation

Fines paid by euro area Member States under the surveillance framework should accrue to the future ESM. The appropriate transitional provisions (European Financial Stabilisation Mechanism and/or European Financial Stability Facility as beneficiaries of the fines) will need to be established until the ESM has been established in accordance with the European Council conclusions of 16 and 17 December 2010.

The reason for these fines to accrue to the ESM is that there is a link between non-compliance by Member States with their obligations under the Commission proposals and the need to establish an ESM. Therefore such fines deriving from the governance package should accrue to the ESM.

As indicated in this opinion, if accepted, this solution should be extended mutatis mutandis to all the procedures strengthened or created by the Commission proposals.

In each of the regulations strengthened or created by the Commission proposals, a recital should explain the reason for reverting to the ESM of the interest accruals and other financial sanctions along the lines indicated above: there is a link between non-compliance by Member States with their economic governance obligations and the need to establish the ESM.

[1] Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

Drafting proposals regarding the proposal for a Council Directive on requirements for budgetary frameworks of the Member States

(COM(2010) 523)

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 1

Recital 7 of the proposed directive

‘(7) Biased and unrealistic macroeconomic and budgetary forecasts may considerably hamper the effectiveness of fiscal planning and consequently impair commitment to budgetary discipline, while transparency and validation of forecasting methodologies may significantly increase the quality of macroeconomic and budgetary forecasts for fiscal planning.’	‘(7) Biased and unrealistic macroeconomic and budgetary forecasts may considerably hamper the effectiveness of fiscal planning and consequently impair commitment to budgetary discipline, while transparency and validation of forecasting methodologies ~~may~~ **should** significantly increase the quality of macroeconomic and budgetary forecasts for fiscal planning.’

Explanation

Transparency and validation of forecasting methodologies are key tools for the quality of forecasting.

Amendment 2

Recital 8 of the proposed directive

‘(8) A crucial element in ensuring the use of realistic forecasts for the conduct of budgetary policy is transparency, which must entail public availability of the methodologies, assumptions and parameters on which the official macroeconomic and budgetary forecasts are based.’	‘(8) A crucial element in ensuring the use of realistic forecasts for the conduct of budgetary policy is transparency, which must entail **publication and therefore** public availability **not only of sufficiently detailed official macroeconomic and budgetary forecasts but also** of the methodologies, assumptions and parameters on which ~~the official macroeconomic and budgetary~~ **such** forecasts are based.’

Explanation

The proposed amendment reinforces the crucial role, transparency and detail of forecasts.

Amendment 3

Recital 12 of the proposed directive

‘(12) Considering the documented effectiveness of rules-based budgetary frameworks of the Member States in promoting budgetary discipline, strong national fiscal rules that are consistent with the budgetary objectives at the level of the Union must be a cornerstone of the strengthened budgetary surveillance framework of the Union. Strong fiscal rules should be equipped with well-specified target definitions together with mechanisms for effective and timely monitoring. In addition, policy experience has shown that for numerical rules to work effectively, consequences must be attached to non-compliance, where the costs involved may be simply reputational.’	‘(12) Considering the documented effectiveness of rules-based budgetary frameworks of the Member States in promoting budgetary discipline, strong national fiscal rules that are consistent with the budgetary objectives at the level of the Union must be a cornerstone of the strengthened budgetary surveillance framework of the Union. Strong fiscal rules should be equipped with well-specified target definitions together with mechanisms for effective and timely monitoring. In addition, policy experience has shown that for numerical **fiscal** rules to work effectively, consequences must be attached to non-compliance, ~~where the costs involved may be simply reputational~~ **which should include reputational, political and financial costs. Timely redemption of additional debt incurred shall be a standard consequence.**’

Text proposed by the Commission	Amendments proposed by the ECB (1)

Explanation

The credibility of the fiscal framework is increased if explicit consequences for non-compliance, including both non-financial and financial costs, are identified in the proposed directive and hence in national legislation. An obligation for timely redemption of debt incurred beyond the concessions of the fiscal framework is a powerful instrument to prevent breaches of the rules.

Amendment 4

New recital 12a of the proposed directive

No text	**'(12a) The number of specific circumstances in which temporary non-compliance with numerical fiscal rules is permitted should be limited. Strict criteria regarding the budgetary impact of the non-compliance and the resulting responsibility should be fulfilled. Repayment of additional debt has to be assured within an appropriate time period.'**

Explanation

While explicit consequences for non-compliance are considered necessary to ensure effectiveness, any specific circumstances in which temporary non-compliance with numerical fiscal rules is permitted should be restricted to a limited number, thus reinforcing the general application of the consequences for non-compliance. The proposed new recital reinforces the limited character of the exception provided for in Article 6(d) of the proposed directive. Exceptions should fulfil strict criteria and redemption has to be a condition for the exception.

Amendment 5

Recital 13 of the proposed directive

'(13) Member States should avoid pro-cyclical fiscal policies and fiscal consolidation efforts should be greater in good times. Well-specified numerical fiscal rules are conducive to these objectives.'	'(13) Member States should avoid pro-cyclical fiscal policies and fiscal consolidation efforts should be greater in good times. Well-specified numerical fiscal rules are conducive to these objectives. **These numerical fiscal rules should incorporate the aim of strengthening government expenditure control and provide Ministries of Finance with instruments to restrict expenditure to keep deficits under control.**'

Explanation

The purpose of introducing numerical fiscal rules, i.e. to strengthen government expenditure control, should be made clear in the rules themselves and Ministries of Finance should be granted the appropriate instruments.

Amendment 6

Recital 18 of the proposed directive

'(18) To be effective in promoting budgetary discipline and the sustainability of public finance, budgetary frameworks should comprehensively cover public finances. For this reason, operations of extra-budgetary funds and bodies that have an immediate or medium-term impact on Member States' budgetary positions should be given particular consideration.'	'(18) To be effective in promoting budgetary discipline and the sustainability of public finance, budgetary frameworks should comprehensively cover public finances. For this reason, operations of extra-budgetary funds and bodies **likely to** have an immediate or medium-term impact on Member States' budgetary positions should be ~~given particular consideration~~ **reported in a transparent manner. Their expected or potential impact on general government budget balances and debt should be explicitly addressed in the medium-term budgetary frameworks.**'

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

The proposed amendment reinforces effectiveness through the link to the medium-term budgetary framework and ensures increased monitoring of institutions beyond the government sector for which capital injections may become necessary.

Amendment 7

New recital 18a of the proposed directive

No text	'(18a) **The purpose and the features of the Directive call for a national transposition which is as close as possible to the text of the Directive. While this is true for all the Member States, it is particularly true for Member States whose currency is the euro. [Account is taken of the agreement of the Eurogroup dated … [that all Member States whose currency is the euro undertake a national transposition along this line]].'**

Explanation

A commitment to a transposition closely following the Directive, particularly in the euro area Member States, will make the Directive more effective.

Amendment 8

New recital 18b of the proposed directive

No text.	'(18b) **There is a need for Member States whose currency is the euro to implement into their national budgetary frameworks other features in addition to the features contained in this Directive for all the Member States. A chapter with specific provisions for the Member States whose currency is the euro lays down these two features: one is the establishment of independent fiscal councils tasked with providing independent monitoring, analysis, assessments and forecasts and the other is the application of top-down budgetary processes. While the former should be mandatory, Member States should give due consideration to the latter. Member States whose currency is not the euro can voluntarily incorporate several or all of these additional features into their national budgetary frameworks. They should specifically consider incorporating into the latter the independent fiscal councils.'**

Explanation

the elements which have been considered desirable by the Council in its May 2010 conclusions on this matter and in the task force Report should be made mandatory for the euro area Member States.

Amendment 9

Article 1 of the proposed directive

'This Directive sets out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure the effectiveness of the excessive deficit procedure.'	'This Directive sets out detailed rules concerning the characteristics of the budgetary frameworks of the Member States that are necessary to ensure **compliance with** the ~~effectiveness of the excessive deficit procedure~~ **obligation of the Member States to avoid excessive government deficits as referred to in Article 126(1) of the Treaty**.'

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

The proposed directive should not refer explicitly to the excessive deficit procedure but rather to the need to avoid excessive deficits since the Directive, once implemented in the Member States, will become an instrument for strengthening Member States' compliance with their obligations under Articles 121 and 126 of the Treaty.

Amendment 10

Article 2(f) of the proposed directive

'(f) arrangements for analysis to enhance the transparency of elements of the budget process, including, inter alia, the mandate of independent national budget offices or institutions acting in the field of budgetary policy;'	'(f) arrangements for **independent monitoring**, analysis, **assessments and validation** to enhance the transparency of the budget process, including inter alia the mandate of independent national budget offices or institutions acting in the field of budgetary policy;'

Explanation

The arrangements should not just concern the analysis, but also the monitoring, assessment and validation of the budget processes and they should ensure that these are undertaken in an independent manner.

Amendment 11

Article 3(1) of the proposed directive

'1. As concerns national systems of public accounting, Member States shall have in place public accounting systems comprehensively and consistently covering all sub-sectors of general government as defined by Regulation (EC) No 2223/96 (ESA 95), and containing the information needed to compile ESA 95-based data. Those public accounting systems shall be subject to internal control and audit.'	'1. **To ensure the timely and accurate reporting of annual and quarterly ESA-based government data as required by the ESA transmission programme**, ~~As concerns national systems of public accounting~~, Member States shall have in place public accounting systems, **applying internationally accepted public sector accounting standards on an accrual basis that** comprehensively and consistently cover all sub-sectors of general government as defined by Regulation (EC) No 2223/96 (ESA 95)~~, and containing the information needed to compile ESA 95-based data~~. Those ~~public accounting~~ systems shall be subject to ~~internal~~ **independent** control and audit.'

Explanation

To increase the timeliness and accuracy of the government data reported to the Commission, it is desirable for Member States to accelerate the implementation of public accounting systems for the government sector entities, which report data on an accrual basis in line with internationally accepted public sector accounting standards. This would allow an easy translation of these data into the ESA 95-based national accounts. The public accounting systems should be subject to independent control and audit.

Amendment 12

Article 3(2) of the proposed directive

'2. Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government. In particular Member States shall publish: (a) cash-based fiscal data at a monthly frequency, covering government with each sub-sector thereof separately identified, before the end of the following month: (b) a detailed reconciliation table showing the elements of transition between cash based and ESA 95-based data.'	~~'2. Member States shall ensure timely and regular public availability of fiscal data for all sub-sectors of general government. In particular Member States shall publish~~ ~~(a) cash-based fiscal data at a monthly frequency, covering government with each sub-sector thereof separately identified, before the end of the following month,~~ ~~(b) a detailed reconciliation table showing the elements of transition between cash based and ESA 95-based data.'~~

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

The ECB agrees with the need for timely fiscal data and is therefore in favour of bringing forward the reporting deadlines of the quarterly ESA-based government accounts under the new ESA transmission programme. Obliging all Member States to report additional monthly cash data and detailed reconciliation tables would unduly increase the reporting burden, especially because the reconciliation between cash data and ESA 95-based data is not straightforward. As Article 3(2) neither specifies the content of the fiscal data nor the valuation rules, the additional reporting burden is unproportional to the added value for European governance and even risks diverting resources from improving the quality of European statistics on the general government sector.

Amendment 13

Article 4(1) of the proposed directive

'1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macro-fiscal scenario or on a more prudent scenario that highlights in detail deviations from the most likely macro-fiscal scenario. The macroeconomic and budgetary forecasts shall be prepared taking into account the Commission forecasts as appropriate. Differences between the chosen macro-fiscal scenario and the Commission forecast shall be explained.'	'1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macro-fiscal scenario or on a more prudent scenario that highlights in detail deviations from the most likely macro-fiscal scenario. The macroeconomic and budgetary forecasts shall be **~~prepared taking into account~~** **compared with** the Commission forecasts ~~as appropriate~~. Differences between the chosen macro-fiscal scenario and the Commission forecast shall be explained.'

Explanation

The proposed amendment reduces the element of uncertainty in the obligation to take into account the Commission forecasts.

Amendment 14

Article 4(4) of the proposed directive

'4. Member States shall have the macroeconomic and budgetary forecasts for fiscal planning regularly audited, including *ex post* evaluation. The result of this auditing shall be made public.'	'4. Member States shall have the macroeconomic and budgetary forecasts for fiscal planning regularly audited, including *ex post* evaluation. The result of this **independent** auditing shall be made public.'

Explanation

Auditing should be conducted on an independent basis.

Amendment 15

Article 6 of the proposed directive

'Without prejudice to the Treaty provisions of the budgetary surveillance framework of the Union, numerical fiscal rules shall contain specifications on the following elements: (a) the target definition and scope of the rules;	'Without prejudice to the Treaty provisions of the budgetary surveillance framework of the Union, numerical fiscal rules shall contain specifications on the following elements: (a) the target definition and scope of the rules;

Text proposed by the Commission	Amendments proposed by the ECB [1]
(b) effective and timely monitoring of compliance with the rules, such as by independent national budget offices or institutions acting in the field of budgetary policy;	(b) effective and timely monitoring of compliance with the rules, such as by independent national budget offices or institutions acting in the field of budgetary policy;
(c) consequences in the event of non-compliance;	(c) consequences in the event of non-compliance **that involve a clear political and financial cost for the authorities responsible for non-compliance among which the imposition of timely redemption of additional debt incurred**;
(d) escape clauses, setting out a limited number of specific circumstances in which temporary non-compliance with the rule is permitted.'	(d) escape clauses, **if any**, setting out a limited number of specific circumstances in which temporary non-compliance with the rule is permitted.'

Explanation

The credibility of the fiscal framework is increased if explicit consequences for non-compliance, including both non-financial and financial costs, are identified in the Directive and hence in the national legislation. Escape clauses should not be a requirement: where they are specified, they should be limited in scope and duration. Redemption of additional debt should be a mandatory tool, in addition to any other consequences.

Amendment 16

Article 8(2)(a) of the proposed directive

'(a) comprehensive and transparent multi-annual budgetary objectives in terms of the general government deficit, debt, and any other summary fiscal indicator, ensuring that these are consistent with any fiscal rules as provided for in Chapter IV in force,'	'(a) comprehensive and transparent multi-annual budgetary objectives in terms of the general government deficit, debt, **expenditure** and any other summary fiscal indicator, ensuring that these are consistent with any fiscal rules as provided for in Chapter IV in force,'

Explanation

Since expenditure developments will be assessed under the amended Regulation (EU) No 1466/97, expenditure should be mentioned explicitly as a budgetary objective at the national level.

Amendment 17

Article 12(1) of the proposed directive

'1. All sub-sectors of general government shall be covered by numerical fiscal rules.'	'1. ~~All sub-sectors of general government shall be covered by numerical fiscal rules~~ **Numerical fiscal rules shall be designed and implemented in order to ensure that fiscal targets cover all sub-sectors of general government and are in line with Member States' obligations under the Stability and Growth Pact.**'

Explanation

The proposed amendment clarifies that the numerical fiscal rules should cover all sub-sectors of general government and should be in line with the Stability and Growth Pact.

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 18

New Chapter VIA 'Specific provisions for the Member States whose currency is the euro'
New Article 13b of the proposed directive

No text	**'1. In addition to their obligations under this Directive and without prejudice to them, Member States whose currency is the euro shall establish in their budgetary frameworks an independent fiscal council whose task is to provide independent monitoring, analysis, assessments and forecasts in all areas of domestic fiscal policy which may have an impact on the compliance by the Member States whose currency is the euro with their obligations deriving from Articles 121 and 126 of the Treaty and from any legislation and measures adopted under any of these Articles or under Article 136 of the Treaty.** **They should give due consideration to the application of a top-down approach, meaning a budgeting approach that starts from an agreement on the total spending level that is then allocated in spending allotments for different ministeries or government agencies and thereby supports adherence to spending limits.** **2. In addition to their obligations under this Directive and without prejudice to them, Member States whose currency is not the euro may also incorporate any or all of the above features into their budgetary frameworks, in particular the establishment of independent fiscal councils, on a voluntary basis.'**

Explanation

In addition to the minimum requirements for national budgetary frameworks, the elements which have been considered desirable in the Council conclusions of 17 May 2010 and in the task force report should be made mandatory for the euro area Member States, and there should be an explicit reference to the possibility for non-euro area Member States to also incorporate such desirable elements.

Amendment 19

First subparagraph of Article 14(1) of the proposed directive

'1. Member States shall bring into force the provisions necessary to comply with this Directive by 31 December 2013 at the latest. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.'	'1. Member States shall bring into force the provisions necessary to comply with this Directive by 31 December 201~~3~~**2** at the latest. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.'

Explanation

As the national procedures for approval of the ESM should be completed by 1 January 2013, this Directive should be implemented by that date.

[1] Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

Drafting proposals regarding the proposal for a regulation of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area

(COM(2010) 524)

Text proposed by the Commission	Amendments proposed by the ECB (1)

Amendment 1

Recital 5

'(5) Sanctions for Member States whose currency is the euro in the preventive part of the Stability and Growth Pact should provide incentives for prudent fiscal policymaking. Such policymaking should ensure that the growth rate of government expenditure does not normally exceed a prudent medium-term growth rate of gross domestic product (GDP), unless the excess is matched by increases in government revenues or discretionary revenue reductions are compensated by reductions in expenditure.'	'(5) Sanctions for Member States whose currency is the euro in the preventive part of the Stability and Growth Pact should provide incentives for **adhering to the adjustment path towards the medium-term objective.** ~~prudent fiscal policymaking. Such policymaking should ensure that the growth rate of government expenditure does not normally exceed a prudent medium-term growth rate of gross domestic product (GDP), unless the excess is matched by increases in government revenues or discretionary revenue reductions are compensated by reductions in expenditure.~~'

Explanation

A clear reference to the adjustment path towards the medium-term objective is preferable to a reference to prudent fiscal policymaking.

Amendment 2

Recital 11 of the proposed regulation

'(11) A possibility should be provided for the Council to reduce or to cancel the sanctions imposed on Member States whose currency is the euro on the basis of a Commission proposal following a reasoned request by the Member State concerned. In the corrective part of the Stability and Growth Pact, the Commission should also be able to propose to reduce the size of a sanction or to cancel it on grounds of exceptional economic circumstances.'	'~~(11) A possibility should be provided for the Council to reduce or to cancel the sanctions imposed on Member States whose currency is the euro on the basis of a Commission proposal following a reasoned request by the Member State concerned. In the corrective part of the Stability and Growth Pact, the Commission should also be able to propose to reduce the size of a sanction or to cancel it on grounds of exceptional economic circumstances.~~'

Explanation

As indicated in paragraph 10 of this opinion, the ECB recommends deleting these restrictions of automaticity.

Amendment 3

Recital 12 of the proposed regulation

'(12) The non-interest-bearing deposit should be released upon correction of the excessive deficit while the interest on such deposits and the fines collected should be distributed among Member States whose currency is the euro which do not have an excessive deficit and which are not the subject of an excessive imbalance procedure either.'	'(12) The non-interest-bearing deposit should be released upon correction of the excessive deficit while the interest on such deposits and the fines collected should be **reverted to the European Stability Mechanism.** ~~distributed among Member States whose currency is the euro which do not have an excessive deficit and which are not the subject of an excessive imbalance procedure either.~~'

Explanation

See the proposed amendment to Article 7 below.

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 4

Article 3(1) and (4) of the proposed regulation

'1. If the Council addresses to a Member State a recommendation in accordance with Article 121(4) of the Treaty to take the necessary adjustment measures in the event of persisting or particularly serious and significant deviations from prudent fiscal policymaking as laid down in Article 6(3) of Regulation (EC) No 1466/97, the lodging of an interest bearing deposit shall be imposed by the Council, acting on a proposal from the Commission. The decision shall be deemed to be adopted by the Council unless it decides by qualified majority to reject the proposal within ten days of the Commission adopting it. The Council may amend the proposal in accordance with Article 293(1) of the Treaty.	'1. If the Council addresses to a Member State a recommendation in accordance with Article 121(4) of the Treaty to take the necessary adjustment measures in the event of **a** ~~persisting or particularly serious and~~ significant **observed** deviation~~s~~ from **the adjustment path towards the medium-term objective** ~~prudent fiscal policy-making~~ as laid down in Article 6(**2**~~3~~) of Regulation (EC) No 1466/97, the lodging of an interest bearing deposit shall be imposed by the Council, acting on a proposal from the Commission. The decision shall be deemed to be adopted by the Council unless it decides by qualified majority to reject the proposal within ten days of the Commission adopting it. The Council may amend the proposal in accordance with Article 293(1) of the Treaty.
[…]	[…]
4. By derogation from paragraph 2, the Commission, following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council recommendation referred to on paragraph 1, may propose to reduce the amount of the interest-bearing deposit or to cancel it.'	~~4. By derogation from paragraph 2, the Commission, following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council recommendation referred to on paragraph 1, may propose to reduce the amount of the interest-bearing deposit or to cancel it.'~~

Explanation

The ECB recommends replacing abstract concepts with clearly measurable ones.

The ECB recommends deleting the additional steps in the procedure, which review steps already taken after sufficient discussion, as they limit the degree of automaticity.

Amendment 5

Article 4(4) of the proposed regulation

'4. By derogation from paragraph 2 of this Article, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council decision in accordance with Article 126(6) of the Treaty, propose to reduce the amount of the non-interest-bearing deposit or to cancel it.'	~~'4. By derogation from paragraph 2 of this Article, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council decision in accordance with Article 126(6) of the Treaty, propose to reduce the amount of the non-interest-bearing deposit or to cancel it.'~~

Explanation

The ECB proposes deleting this paragraph as it reduces automaticity.

Amendment 6

Article 5(4) of the proposed regulation

'4. By derogation from paragraph 2 of this Article, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council decision in accordance with Article 126(8) of the Treaty, propose to cancel or to reduce the amount of the fine.'	~~'4. By derogation from paragraph 2 of this Article, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council decision in accordance with Article 126(8) of the Treaty, propose to cancel or to reduce the amount of the fine.'~~

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

See the explanation for the previous amendment.

Amendment 7

Article 7 of the proposed regulation

'The interest earned by the Commission on deposits lodged in accordance with Article 4 and the fines collected in accordance with Article 5 shall constitute other revenue referred to in Article 311 of the Treaty, and shall be distributed, in proportion to their share in the gross national income of the eligible Member States, among Member States whose currency is the euro which do not have an excessive deficit as determined in accordance with Article 126(6) of the Treaty and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […/…].'	'The interest earned by the Commission on deposits lodged in accordance with Article 4 and the fines collected in accordance with Article 5 shall constitute other revenue referred to in Article 311 of the Treaty, and shall **revert to the European Stability Mechanism.** ~~be distributed, in proportion to their share in the gross national income of the eligible Member States, among Member States whose currency is the euro which do not have an excessive deficit as determined in accordance with Article 126(6) of the Treaty and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […/…]~~.'

Explanation

See the explanation regarding Amendment 6 to the proposal for a Council regulation amending Regulation (EC) No 1467/97.

[1] Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

Drafting proposals regarding the proposal for a regulation of the European Parliament and of the Council on enforcement measures to correct excessive macroeconomic imbalances in the euro area

(COM(2010) 525)

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 1

New recital 6a of the proposed regulation

No text	**'6a A graduation of sanctions should be introduced by which the Council should already impose an interest-bearing deposit following non-compliance with the relevant deadline imposed by the Council, with a view to imposing a fine after non-compliance with two relevant deadlines.'**

Explanation

The imposition of an interest-bearing deposit after the first relevant non-compliance by the Member State should facilitate the imposition of fines where there is a repeated non-compliance with relevant deadlines.

Amendment 2

Recital (12) of the proposed regulation

'(12) The collected fines should be distributed between Member States whose currency is the euro which are neither the subject of an excessive imbalance procedure nor have an excessive deficit.'	'(12) The collected fines should be **reverted to the European Stability Mechanism.** ~~distributed between Member States whose currency is the euro which are neither the subject of an excessive imbalance procedure nor have an excessive deficit~~.'

Explanation

See the explanation regarding Amendment 6 to the proposal for a Council regulation amending Regulation (EC) No 1467/97.

Text proposed by the Commission	Amendments proposed by the ECB ([1])

Amendment 3

Article 1(1) of the proposed regulation

'1. This Regulation sets out a system of fines for effective correction of macroeconomic imbalances in the euro area.'	'1. This Regulation sets out a system of **sanctions** ~~fines~~ for effective correction of macroeconomic imbalances in the euro area.'

Explanation

In order to cover not only the fines but also the interest-bearing deposits, the proposed regulation should refer to a system of sanctions.

Amendment 4

Article 2 of the proposed regulation

'For the purposes of this Regulation, the definitions set out in Article 2 of Regulation (EU) No […/…] shall apply.	'For the purposes of this Regulation, the definitions set out in Article 2 of Regulation (EU) No […/…] shall apply.
In addition, the following definition shall apply:	~~In addition, the following definition shall apply:~~
"exceptional economic circumstances" means circumstances where an excess of a government deficit over the reference value is considered exceptional within the meaning of the second indent of Article 126(2)(a) of the Treaty and as specified in Council Regulation (EC) No 1467/97 ([2]).	~~'exceptional economic circumstances' means circumstances where an excess of a government deficit over the reference value is considered exceptional within the meaning of the second indent of Article 126(2)(a) of the Treaty and as specified in Council Regulation (EC) No 1467/97 ([2])~~.
([2]) OJ L 209, 2.8.1997, p. 6.'	~~([2]) OJ L 209, 2.8.1997, p. 6.'~~

Explanation

See the ECB's suggestions in Amendment 5 regarding Article 3 of the proposed regulation and the explanation. In view of the proposed amendments to Article 3, there is no need for a definition of 'exceptional economic circumstances'.

Amendment 5

Article 3 of the proposed regulation

'1. A yearly fine shall be imposed by the Council, acting on a proposal by the Commission, if:	'1. A**n** ~~yearly fine~~ **interest-bearing deposit** shall be imposed by the Council, acting on a proposal by the Commission, if:
(1) two successive deadlines have been set in accordance with Articles 7(2) and 10(4) of Regulation (EU) No […/…], and the Council thereafter concludes in accordance with Article 10(4) of that Regulation that the Member State concerned has still not taken the recommended corrective action; or if	(1) ~~two successive~~ **a** deadline~~s~~ ha~~ve~~s been set in accordance with Articles 7(2) ~~and~~ **or** 10(4) of Regulation (EU) No […/…], and the Council thereafter concludes in accordance with Article 10~~(4)~~(**1**) of that Regulation that the Member State concerned has still not taken the recommended corrective action; or if
(2) two successive deadlines have been set in accordance with Articles 8(1) and 8(2) of Regulation (EU) No […/…], and the Council thereafter concludes in accordance with Article 8(2) of that Regulation that the Member State concerned has again submitted an insufficient corrective action plan.	(2) ~~two successive~~ **a** deadline~~s~~ ha~~ve~~s been set in accordance with Articles 8(1) ~~and~~ **or** 8(2) of Regulation (EU) No […/…], and the Council thereafter concludes in accordance with Article 8(2) of that Regulation that the Member State concerned has again submitted an insufficient corrective action plan.

Text proposed by the Commission	Amendments proposed by the ECB [1]
The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal within ten days the Commission adopting it. The Council may amend the proposal in accordance with Article 293(1) of the Treaty.	The decision shall be deemed adopted by the Council unless it decides, by qualified majority, to reject the proposal within ten days the Commission adopting it. The Council may amend the proposal in accordance with Article 293(1) of the Treaty.
2. The yearly fine to be proposed by the Commission shall be 0,1 % of the GDP of the Member State concerned in the preceding year.	2. The ~~yearly fine~~ **interest-bearing deposit** to be proposed by the Commission shall be ~~0.1~~ **0,2** % of the GDP of the Member State concerned in the preceding year.
3. By derogation from paragraph 2, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council conclusions referred to in paragraph 1, propose to reduce the amount of the fine or to cancel it.	~~3. By derogation from paragraph 2, the Commission may, on grounds of exceptional economic circumstances or following a reasoned request by the Member State concerned addressed to the Commission within ten days of adoption of the Council conclusions referred to in paragraph 1, propose to reduce the amount of the fine or to cancel it.~~
4. If a Member State has paid a yearly fine for a given calendar year and the Council thereafter concludes, in accordance with Article 10(1) of Regulation (EU) No […/…] that the Member State has taken the recommended corrective action in the course of the given year, the fine paid for the given year shall be returned to the Member State *pro rata temporis*.'	4. If a Member State has ~~paid a yearly fine~~ **constituted the interest-bearing deposit** for a given calendar year and the Council thereafter concludes, in accordance with Article 10(1) of Regulation (EU) No […/…] that the Member State has taken the recommended corrective action in the course of the given year, the ~~fine~~ **deposit** paid for the given year **together with the accrued interest** shall be returned to the Member State ~~*pro rata temporis*~~.
	5. A yearly fine shall be imposed by the Council, acting on a proposal by the Commission, if:
	(1) two successive deadlines have been set in accordance with Articles 7(2) or 10(4) of Regulation (EU) No […/…], and the Council thereafter concludes in accordance with Article 10(1) of that Regulation that the Member State concerned has still not taken the recommended corrective action; or if
	(2) two successive deadlines have been set in accordance with Articles 8(1) or 8(2) of Regulation (EU) No […/…], and the Council thereafter concludes in accordance with Article 8(2) of that Regulation that the Member State concerned has again submitted an insufficient corrective action plan.
	6. If a Member State has paid a yearly fine for a given calendar year and the Council thereafter concludes, in accordance with Article 10(1) of Regulation (EU) No […/…] that the Member State has taken the recommended corrective action in the course of the given year, the fine paid for the given year shall be returned to the Member State *pro rata temporis*.
	7. The annual fine shall be 0,2 % of the Member State's GDP in the preceding year.'

Explanation

The ECB recommends that non-compliance with one deadline could suffice for the imposition of the deposit, which would allow for a more graduated sanctions regime, since the fines could then be imposed on the basis of repeated non-compliance. In addition, the ECB proposes deleting revision steps which lengthen the procedure and reduce automaticity.

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 6

Article 4 of the proposed regulation

Text proposed by the Commission	Amendments proposed by the ECB
'Fines collected in accordance with Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 of the Treaty, and shall be distributed, in proportion to their share in the total gross national income (GNI) of the eligible Member States, between Member States whose currency is the euro and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […/…] and do not have an excessive deficit as determined in accordance with Article 126(6) of the Treaty.'	'Fines collected in accordance with Article 3 of this Regulation shall constitute other revenue, as referred to in Article 311 of the Treaty, and shall be **reverted to the European Stability Mechanism.**~~distributed, in proportion to their share in the total gross national income (GNI) of the eligible Member States, between Member States whose currency is the euro and which are not the subject of an excessive imbalance procedure within the meaning of Regulation (EU) No […/…] and do not have an excessive deficit as determined in accordance with Article 126(6) of the Treaty~~.'

Explanation

See the explanation regarding Amendment 6 to the proposal for a Council regulation amending Regulation (EC) No 1467/97.

[1] Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

Drafting proposals regarding the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies

(COM(2010) 526)

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 1

Recital 7

Text proposed by the Commission	Amendments proposed by the ECB
'(7) The obligation to achieve and maintain the medium-term budgetary objective needs to be put into operation, through the specification of principles of prudent fiscal policymaking.'	~~'(7) The obligation to achieve and maintain the medium-term budgetary objective needs to be put into operation, through the specification of principles of prudent fiscal policymaking.'~~

Explanation

The ECB does not see a need to use the prudent fiscal policymaking concept.

Amendment 2

Recital 9 of the proposed regulation

Text proposed by the Commission	Amendments proposed by the ECB
'(9) Prudent fiscal policymaking implies that the growth rate of government expenditure does normally not exceed a prudent medium-term growth rate of GDP, increases in excess of that norm are matched by discretionary increases in government revenues and discretionary revenue reductions are compensated by reductions in expenditure.'	'(9) **Sufficient progress towards the medium-term budgetary objective should be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures. In this regard, and as long as the medium-term objective is achieved**, ~~Prudent fiscal policymaking implies that~~ the growth rate of government expenditure **should** ~~does~~ normally not exceed a **reference** ~~prudent~~ medium-term ~~growth~~ rate of **potential** GDP **growth**, **while expenditure** increases in excess of that norm **should be** matched by discretionary increases in government revenues and discretionary revenue reductions **should be** compensated by reductions in expenditure. **The projected medium-term rate of potential GDP growth should be calculated according to the common methodology used by the Commission.**

Text proposed by the Commission	Amendments proposed by the ECB ([1])
	The impact of the growth structure on revenue growth should be considered as a means of avoiding reliance on revenue growth dependent on a certain structure of the Member State growth which may be subject to change.'

Explanation

The ECB recommends using clear criteria instead of abstract concepts. The structure of growth may have a significant impact on the growth of government revenues, which should be considered in the rule.

Amendment 3

Recital 10 of the proposed regulation

'(10) A temporary departure from prudent fiscal policy-making should be allowed in case of severe economic downturn of a general nature in order to facilitate economic recovery.'	~~'(10) A temporary departure from prudent fiscal policy-making should be allowed in case of severe economic downturn of a general nature in order to facilitate economic recovery.'~~

Explanation

In view of the overarching importance of fiscal sustainability, the ECB recommends deleting this open escape clause.

Amendment 4

Recital 11 of the proposed regulation

'(11) In the event of a significant deviation from prudent fiscal-policy a warning should be addressed to the Member State concerned and in case the significant deviation persists or is particularly serious, a recommendation should be addressed to the Member State concerned to take the necessary corrective measures.'	'(11) In the event of a significant deviation from **the adjustment path towards the medium-term objective, the Commission may request additional reporting from the Member State and** ~~prudent fiscal-policy~~ a warning should be addressed to the Member State concerned and ~~in case the significant deviation persists or is particularly serious~~, a **Council** recommendation should be addressed to the Member State concerned **setting a deadline** to take the necessary corrective measures. **The Member State concerned should report to the Council on the action taken. If the Member State concerned fails to take appropriate action within the deadline set by the Council, the Council should adopt a recommendation and report to the European Council.'**

Explanation

The reporting provided for in the proposed amendment would increase pressure on non-compliant Member States.

Amendment 5

New recital 11a of the proposed regulation

No text	**'(11a) An advisory body of persons of recognised competence in economic and fiscal matters should be established in order for them to provide, on an annual basis, an independent report addressed to the Union institutions on the way the Commission and the Council have conducted their obligations under Articles 121 and 126 of the Treaty and under Regulation (EC) No 1466/97, [under Regulation (EC) No 1467/97, and under the following Regulations: Regulation (EU) No […/…] on the effective enforcement of budgetary surveillance in the euro area; Regulation (EU) No […/…] on enforcement measures to correct excessive macroeconomic imbalances in the euro**

Text proposed by the Commission	Amendments proposed by the ECB (1)
	area; Regulation (EU) No […/…] on the prevention and correction of macroeconomic imbalances]. Where this body's capacity allows and following a request by the Commission, the Council or the European Council, this body should also provide analysis on specific economic or budgetary issues. This body should not infringe on the Commission's competence. The Members of this advisory body should be fully independent.'

Explanation

The ECB considers that this advisory body would contribute to compliance by the Council and the Commission with their obligations under the Treaty and under the procedures addressed in the Commission proposals. It should be established by this Regulation and the other regulations addressed in the Commission proposals should make cross-references to it. Without prejudice to its main task and if its resources allow, specific analysis could be requested from it by the European Council, the Council or the European Commission. Clarifying that this body's tasks do not encroach on the Commission's competences should be added.

Amendment 6

Recital 12 of the proposed regulation

'(12) In order to ensure compliance with the fiscal surveillance framework of the Union for participating Member States, a specific enforcement mechanism should be established on the basis of Article 136 of the Treaty for cases where a persistent and significant deviation from prudent fiscal policymaking prevails.'	'(12) In order to ensure compliance with the fiscal surveillance framework of the Union for participating Member States, a specific enforcement mechanism should be established on the basis of Article 136 of the Treaty for cases where a persistent and significant deviation from **the adjustment path towards the medium-term budgetary objective** ~~prudent fiscal policymaking~~ prevails.'

Explanation

A clear reference to a significant deviation of the adjustment path towards the medium-term budgetary objective is preferable to the wider concept of prudent fiscal policymaking.

Amendment 7

Article 1(2)(c) of the proposed regulation

(Article 3(3) of Regulation (EC) No 1466/97)

'3. The information about the paths for the general government balance and debt ratio, the growth of government expenditure, the planned growth path of government revenue at unchanged policy, the planned discretionary revenue measures and the main economic assumptions referred to in paragraph 2(a) and (b) shall be on an annual basis and shall cover, the preceding year, the current year and at least the following three years.'	'3. The information about the paths for the general government balance and debt ratio, the growth of government expenditure, the planned growth path of government revenue at unchanged policy, the planned discretionary revenue measures, **appropriately quantified**, and the main economic assumptions referred to in paragraph 2(a) and (b) shall be on an annual basis and shall cover, the preceding year, the current year and at least the following three years.'

Explanation

There is a need for a stricter quantification requirement concerning the discretionary revenue measures.

Amendment 8

Article 1(4) of the proposed regulation

(Article 5(1) of Regulation (EC) No 1466/97)

'1. […] The Council, when assessing the adjustment path toward the medium-term budgetary objective, shall examine if the Member State concerned pursues an appropriate annual improvement of its cyclically adjusted budget balance, net of one-off and other temporary measures, required to	'1. […] The Council, when assessing the adjustment path toward the medium-term budgetary objective, shall examine if the Member State concerned pursues an appropriate annual improvement of its cyclically adjusted budget balance, net of one-off and other temporary measures, required to

Text proposed by the Commission	Amendments proposed by the ECB [1]
meet its medium-term budgetary objective, with 0,5 % of GDP as a benchmark. For Member States with a high level of debt or excessive macroeconomic imbalances or both, the Council shall examine whether the annual improvement of the cyclically adjusted budget balance, net of one-off and other temporary measures is higher than 0,5 % of GDP. The Council shall take into account whether a higher adjustment effort is made in economic good times, whereas the effort may be more limited in economic bad times.	meet its medium-term budgetary objective, with 0,5 % of GDP as a benchmark. For Member States with **one or more of the following: (i)** a ~~high level of debt~~ level of **government** debt **exceeding 60 % of the GDP reference value, (ii)** ~~or~~**pronounced risks in terms of fiscal sustainability**, ~~or with~~ **(iii)** excessive macroeconomic imbalances~~or both~~, the Council shall examine whether the annual improvement of the cyclically adjusted budget balance, net of one-off and other temporary measures is **significantly** higher than 0,5 % of GDP. The Council shall take into account whether a higher adjustment effort is made in economic good times, whereas the effort may be more limited in economic bad times. **The impact of the growth structure on revenue growth shall be considered.**
[…]	[…]
The prudent medium-term of growth should be assessed on the basis of projections over a ten-year horizon updated at regular intervals.	The ~~prudent~~**reference** medium-term **rate** of **potential GDP** growth should be assessed on the basis of projections over a ten-year horizon updated at regular intervals.
[…]	[…]
The Council shall furthermore examine whether the contents of the stability programme facilitate the achievement of sustained convergence within the euro area, closer coordination of economic policies and whether the economic policies of the Member State concerned are consistent with the broad guidelines of economic policies of the Member States and of the Union.	The Council shall furthermore examine whether the contents of the stability programme facilitate the **maintenance** ~~achievement~~ of sustained convergence within the euro area, closer coordination of economic policies and whether the economic policies of the Member State concerned are consistent with the broad guidelines of economic policies of the Member States and of the Union.
In periods of severe economic downturn of a general nature Member States may be allowed to temporarily depart from the adjustment path implied by prudent fiscal policymaking referred to in the fourth subparagraph.'	~~In periods of severe economic downturn of a general nature Member States may be allowed to temporarily depart from the adjustment path implied by prudent fiscal policymaking referred to in the fourth subparagraph.~~'

Explanation

In addition to the self-explanatory technical remarks, the possibility of departing from the adjustment path on the basis of 'severe economic downturn of a general nature', means that the adjustment path, which is already based on the abstract concept of 'prudent fiscal policymaking' would be subject to an additional escape clause, which would undermine fiscal sustainability.

Amendment 9

Article 1(5) of the proposed regulation

(Article 6(2) and (3) of Regulation (EC) No 1466/97)

	[order of first and second subparagraph of Article 6(2) reversed]
'2. In the event of a significant deviation from prudent fiscal policymaking referred to in the fourth subparagraph of Article 5(1) of this regulation, and in order to prevent the occurrence of an excessive deficit, the Commission, in accordance with Article 121(4) of the Treaty may address a warning to the Member State concerned.	'2. An **observed** deviation from **the adjustment path towards the medium-term objective** ~~prudent fiscal policymaking~~ shall be considered significant if the following conditions occur: **(a) the annual improvement of the structural balance does not meet the requirement under the second subparagraph of Article 5(1) or (b)** an excess ~~over the~~**of** expenditure growth **over the reference medium-term rate of potential GDP growth**~~consistent with prudent fiscal~~

Text proposed by the Commission	Amendments proposed by the ECB [1]
A deviation from prudent fiscal policymaking shall be considered significant if the following conditions occur: an excess over the expenditure growth consistent with prudent fiscal policymaking, not offset by discretionary revenue-increasing measures; or discretionary revenue-decreasing measures not offset by reductions in expenditure; and the deviation has a total impact on the government balance of at least 0,5 % of GDP in one single year or of at least 0,25 % of GDP on average per year in two consecutive years.	~~policymaking~~, not offset by discretionary revenue-increasing measures; or discretionary revenue-decreasing measures not offset by reductions in expenditure; and the deviation has a total **negative** impact on the government balance of at least 0,**2**5 % of GDP in one single year ~~or of at least 0,25 % of GDP on average per year in two consecutive years~~. **The impact of the growth structure on revenue growth shall be considered.**
	In the event of a significant **observed** deviation from **the adjustment path towards the medium-term budgetary objective** ~~prudent fiscal policymaking~~ referred to in the fourth subparagraph of Article 5(1) of this regulation, ~~and in order to prevent the occurrence of an excessive deficit~~, the Commission, **may request additional reporting from the Member State concerned and** in accordance with Article 121(4) of the Treaty may address a warning to the Member State concerned.
	The Council, within one month from the date of adoption of the warning by the Commission, shall adopt a recommendation for policy measures setting a deadline for addressing the deviation, on the basis of a Commission recommendation, based on Article 121(4) of the Treaty.
	Within the deadline set by the Council in the recommendation under Article 121(4) of the Treaty, the Member State concerned shall report to the Council on action taken in response to said recommendation.
	If the Member State concerned fails to take appropriate action within five months from the date of the adoption of the recommendation by the Council under Article 121(4) of the Treaty, the Council shall immediately adopt a recommendation, on the basis of a Commission recommendation based on Article 121(4) of the Treaty, and shall report to the European Council. Following the adoption of the latter Council recommendation, the Commission, in liaison with the ECB if it deems it appropriate, may carry out a monitoring mission. The Commission shall report to the Council on the outcome of the mission and may decide to make its findings public.
	The deadline of five months shall be reduced to three if the Commission in its recommendation to the Council referred to in the second subparagraph of the present paragraph, considers that the situation is particularly serious and warrants urgent action.
[…]	[…]
3. In the event that the significant deviation from prudent fiscal policymaking persists or is particularly serious, the Council, on a recommendation from the Commission, shall address a recommendation to the Member State concerned to take the necessary adjustment measures. The Council, on a proposal from the Commission, shall make the recommendation public.'	~~3. In the event that the significant deviation from prudent fiscal-policy making persists or is particularly serious, the Council, on a recommendation from the Commission, shall address a recommendation to the Member State concerned to take the necessary adjustment measures. The Council, on a proposal from the Commission, shall make the recommendation public.~~'

Text proposed by the Commission	Amendments proposed by the ECB (1)

Explanation

The procedure should be overhauled and new steps should be introduced to make the procedure more effective, including the possibility of missions.

Amendment 10

Article 1(8) of the proposed regulation
(Article 9(1) of Regulation (EC) No 1466/97)

Text proposed by the Commission	Amendments proposed by the ECB
'1. […]	'1. […]
The Council, when assessing the adjustment path toward the medium-term budgetary objective, shall take into account whether a higher adjustment effort is made in economic good times, whereas the effort may be more limited in economic bad times. For Member States with a high level of debt or excessive macroeconomic imbalances or both, the Council shall examine whether the annual improvement of the cyclically adjusted budget balance, net of one-off and other temporary measures is higher than 0,5 % of GDP. For ERM II Member States, the Council shall examine if the Member State concerned pursues an appropriate annual improvement of its cyclically adjusted balance, net of one-off and other temporary measures, required to meet its medium-term budgetary objective, with 0,5 % of GDP as a benchmark.	The Council, when assessing the adjustment path toward the medium-term budgetary objective, shall take into account whether a higher adjustment effort is made in economic good times, whereas the effort may be more limited in economic bad times. For Member States with a ~~high~~ level of **government** debt **exceeding the 60 % of GDP reference value or with pronounced risks in terms of fiscal sustainability** ~~[or excessive macro-economic imbalances or both]~~, the Council shall examine whether the annual improvement of the cyclically adjusted budget balance, net of one-off and other temporary measures is **significantly** higher than 0,5 % of GDP. For ERM II Member States, the Council shall examine if the Member State concerned pursues an appropriate annual improvement of its cyclically adjusted balance, net of one-off and other temporary measures, required to meet its medium-term budgetary objective, with 0,5 % of GDP as a benchmark. **The impact of the growth structure on revenue growth shall be considered.**
[…]	[…]
The prudent medium-term of growth should be assessed on the basis of projections over a ten-year horizon updated at regular intervals.	The ~~prudent~~ **reference** medium-term of **rate of potential GDP** growth should be assessed on the basis of projections over a ten-year horizon updated at regular intervals.
[…]	[…]
The Council shall furthermore examine whether the contents of the convergence programme facilitate the closer coordination of economic policies and whether the economic policies of the Member State concerned are consistent with the broad guidelines of economic policies of the Member States and of the Union. In addition, for ERM II Member States, the Council shall examine whether the content of the convergence programme ensure a smooth participation in the exchange rate mechanism.	The Council shall furthermore examine whether the contents of the convergence programme facilitate **the achievement of sustained convergence**, the closer co-ordination of economic policies and whether the economic policies of the Member State concerned are consistent with the broad guidelines of economic policies of the Member States and of the Union. In addition, for ERM II Member States, the Council shall examine whether the content of the convergence programme ensure a smooth participation in the exchange rate mechanism.
In periods of severe economic downturn of a general nature Member States may be allowed to temporarily depart from the adjustment path implied by prudent fiscal policymaking referred to in the fourth subparagraph.'	~~In periods of severe economic downturn of a general nature Member States may be allowed to temporarily depart from the adjustment path implied by prudent fiscal policymaking referred to in the fourth subparagraph.~~'

Explanation

See the explanations for the preceding proposed amendments to this proposed regulation.

Text proposed by the Commission	Amendments proposed by the ECB [1]
Amendment 11	
Article 1(9) of the proposed regulation (Article 10(2) of Regulation (EC) No 1466/97)	
'2. […]	'2. […]
A deviation from prudent fiscal policymaking shall be considered significant if the following conditions occur: an excess over the expenditure growth consistent with prudent fiscal policymaking, not offset by discretionary revenue-increasing measures; or discretionary revenue-decreasing measures not offset by reductions in expenditure; and the deviation has a total impact on the government balance of at least 0,5 % of GDP in one single year or of at least 0,25 % of GDP on average per year in two consecutive years.	A**n observed** deviation from **the adjustment path towards the medium-term budgetary objective**~~prudent fiscal policymaking~~ shall be considered significant if the following conditions occur: **(a) the annual improvement of the structural balance does not meet the requirement under the second subparagraph of Article 9(1) or (b)** an excess **of** ~~over the~~ expenditure growth **over the reference medium-term rate of potential GDP growth**~~consistent with prudent fiscal policymaking~~, not offset by discretionary revenue-increasing measures; or discretionary revenue-decreasing measures not offset by reductions in expenditure; and the deviation has a total **negative** impact on the government balance of at least 0,**25** % of GDP in one single year~~ or of at least 0,25 % of GDP on average per year in two consecutive years~~. **The impact of the growth structure on revenue growth shall be considered.**
[…]	[…]
The deviation may be equally not considered in case of severe economic downturn of a general nature.'	~~The deviation may be equally not considered in case of severe economic downturn of a general nature.~~ **In the event of a significant observed deviation from the adjustment path towards the medium-term budgetary objective referred to in the fourth subparagraph of Article 9(1) of this Regulation, the Commission, may request additional reporting from the Member State concerned and, in accordance with Article 121(4) of the Treaty may address a warning to the Member State concerned.** **The Council, within one month from the date of adoption of the warning by the Commission, shall adopt a recommendation for policy measures setting a deadline for addressing the deviation, on the basis of a Commission recommendation, based on Article 121(4) of the Treaty.** **Within the deadline set by the Council in the recommendation under Article 121(4) of the Treaty, the Member State concerned shall report to the Council on action taken in response to the Council recommendation.** **If the Member State concerned fails to take appropriate action within five months from the date of the adoption of the recommendation by the Council under Article 121(4) of the Treaty, the Council shall immediately adopt a recommendation, on the basis of a Commission recommendation based on Article 121(4) of the Treaty, and shall report to the European Council. Following adoption of this latter Council recommendation, the Commission, in liaison with the ECB if it deems it appropriate for Member States participating in ERM II, may carry out a monitoring mission. The Commission will report to the Council on the outcome of the mission and may decide to make its findings public.** **The deadline of five months shall be reduced to three if the Commission in its recommendation to the Council referred to in the second subparagraph of the present paragraph, considers that the situation is particularly serious and warrants urgent action.'**

Text proposed by the Commission	Amendments proposed by the ECB (1)

Explanation

The proposed amendment clarifies the deviation and sets out the steps of the procedure.

Amendment 12

Article 11 of Regulation (EC) No 1466/97 — new paragraph 2

No text	**‘2. An advisory body of persons of recognised competence in economic and fiscal matters shall be established.** **It shall provide a yearly public report on the manner in which the Commission and the Council have conducted their obligations under Articles 121 and 126 of the Treaty and under Regulation (EC) No 1466/97, under Regulation (EC) No 1467/97, and under the following Regulations: Regulation (EU) No […/…] on the effective enforcement of budgetary surveillance in the euro area; Regulation (EU) No […/…] on enforcement measures to correct excessive macroeconomic imbalances in the euro area; Regulation (EU) No […/…] on the prevention and correction of macroeconomic imbalances.** **Following a request by the Commission, the Council or the European Council, this advisory body shall also provide analysis on specific economic or budgetary issues. The Members of this advisory body shall be independent in the performance of their tasks.’**

Explanation

See the explanation for Amendment 5 above in relation to the proposed new recital 11a.

(1) Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

Drafting proposals regarding the proposal for a regulation of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances

(COM(2010) 527)

Text proposed by the Commission	Amendments proposed by the ECB (1)

Amendment 1

Recital 3 of the proposed regulation

‘(3) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to prevent excessive macroeconomic imbalances and help the Member States affected devise corrective plans before divergences become entrenched. This broadening of the economic surveillance framework should go in parallel with deepening of fiscal surveillance.’	‘(3) In particular, surveillance of the economic policies of the Member States should be broadened beyond budgetary surveillance to prevent excessive macroeconomic imbalances **and also vulnerabilities** and help the Member States affected devise corrective plans before divergences become entrenched. This broadening of the economic surveillance framework should go in parallel with deepening of fiscal surveillance.’

Explanation

The preventive nature of the procedure would be enhanced by means of the inclusion of the expression ‘vulnerabilities’ in addition to that of ‘imbalances’, given that there will be a number of situations that a sound macroeconomic governance would need to cover within this procedure but which may not entirely fall within the current understanding of the term ‘imbalances’.

Amendment 2

Recital 4 of the proposed regulation

‘(4) To help address such imbalances a procedure laid down in detail in legislation is necessary.’	‘(4) To help address such imbalances **and vulnerabilities**, a procedure laid down in detail in legislation is necessary.’

Text proposed by the Commission	Amendments proposed by the ECB (1)

Explanation

See explanation for Amendment 1.

Amendment 3

Recital 5 of the proposed regulation

‘(5) It is appropriate to supplement the multilateral surveillance referred to in Article 121(3) and (4) of the Treaty with specific rules for detection, prevention and correction of macroeconomic imbalances.’	‘(5) It is appropriate to supplement the multilateral surveillance referred to in Article 121(3) and (4) of the Treaty with specific rules for detection, prevention and correction of macroeconomic imbalances**. Macroeconomic imbalances are present where a Member State experiences situations such as large current account deficits, significant losses of competitiveness, large and unusual increases in asset prices, high levels of or a significant deterioration in external, public sector or private sector indebtedness or a significant risk thereof. Macroeconomic vulnerabilities are present where a Member State experiences a situation that sound macroeconomic surveillance of economic and monetary union would reasonably cover.**’

Explanation

The proposed recital should help to clarify the definition of the situations to be covered by the procedure.

Amendment 4

Recital 6 of the proposed regulation

‘(6) This procedure should rely on an alert mechanism for early detection of emerging macroeconomic imbalances. It should be based on use of an indicative and transparent scoreboard combined with economic judgement.’	‘(6) This procedure should rely on an alert mechanism for early detection of emerging macroeconomic imbalances **and vulnerabilities**. It should be based on use of an indicative and transparent scoreboard combined with economic judgement.’

Explanation

See explanation for Amendment 1.

Amendment 5

Recital 7 of the proposed regulation

‘(7) The scoreboard should consist of a limited set of economic and financial indicators relevant to detection of macroeconomic imbalances, with corresponding indicative thresholds. The composition of the scoreboard may evolve in time, inter alia due to evolving threats to macroeconomic stability or enhanced availability of relevant statistics.’	‘(7) The scoreboard should consist of a limited set of economic and financial indicators relevant to detection of macroeconomic imbalances **and vulnerabilities**, with corresponding indicative thresholds. The composition of the scoreboard may evolve in time, inter alia due to evolving threats to macroeconomic stability or enhanced availability of relevant statistics. **The scoreboard of indicators should be differentiated for Member States whose currency is the euro and Member States whose currency is not the euro in order to take into account specific features of monetary union and reflect relevant economic circumstances. Such a differentiation may also be warranted in order to take into account the cases in which all the Member States whose currency is the euro have better or more timely statistics.’**

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

The recitals should clarify the differentiation between euro area Member States and non-euro area Member States in connection with this procedure.

Amendment 6

Recital 8 of the proposed regulation

'(8) The crossing of one or more indicative thresholds need not necessarily imply that macroeconomic imbalances are emerging, as economic policymaking should take into account interlinkages between macroeconomic variables. Economic judgement should ensure that all pieces of information, whether from the scoreboard or not, are put in perspective and become part of a comprehensive analysis.'	'(8) The crossing of one or more indicative thresholds need not necessarily imply that macroeconomic imbalances **and vulnerabilities** are emerging, as economic policymaking should take into account interlinkages between macroeconomic variables. Economic judgement should ensure that all pieces of information, whether from the scoreboard or not, are put in perspective and become part of a comprehensive analysis.'

Explanation

See explanation for Amendment 1.

Amendment 7

Recital 9 of the proposed regulation

'(9) Based on the multilateral surveillance procedure and the alert mechanism, the Commission should identify the Member States to be subject to an in-depth review. The in-depth review should encompass a thorough analysis of sources of imbalances in the Member State under review. It should be discussed within the Council and the Euro Group for the Member States whose currency is the euro.'	'(9) Based on the multilateral surveillance procedure and the alert mechanism, the Commission should identify the Member States to be subject to an in-depth review. The in-depth review should encompass a thorough analysis of sources of imbalances **and vulnerabilities** in the Member State under review. **It should include a surveillance mission by the Commission to the Member State concerned, in liaison with the ECB if it deems it appropriate when those missions concern Member States whose currency is the euro or Member States participating in the exchange-rate mechanism (ERM II).** It should be discussed within the Council and the Euro Group for the Member States whose currency is the euro.'

Explanation

Given their importance, missions to the Member States should already be mentioned in the recitals.

Amendment 8

Recital 10 of the proposed regulation

'(10) A procedure to monitor and correct adverse macroeconomic imbalances, with preventive and corrective elements, will require enhanced surveillance tools based on those used in the multilateral surveillance procedure. This may include enhanced surveillance missions by the Commission to Member States and additional reporting by the Member State in case of severe imbalances, including imbalances that jeopardise the proper functioning of the economic and monetary union.'	'(10) A procedure to monitor and correct adverse macroeconomic imbalances **and vulnerabilities**, with preventive and corrective elements, will require enhanced surveillance tools based on those used in the multilateral surveillance procedure. This **should** ~~may~~ include enhanced surveillance missions by the Commission to Member States **in liaison with the ECB if it deems it appropriate when those missions concern Member States whose currency is the euro or Member States participating in ERM II** and additional reporting by the Member State in case of severe imbalances **or vulnerabilities**, including imbalances that jeopardise the proper functioning of the economic and monetary union **or vulnerabilities that could jeopardise it.**'

Explanation

The proposed amendment reflects the need for the Commission to liaise with the ECB if it deems it appropriate.

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 9

Recital 11 of the proposed regulation

'(11) When assessing imbalances, account should be taken of their severity, of the degree to which they may be considered unsustainable and of the potential negative economic and financial spillovers to other Member States. The economic adjustment capacity and the track record of the Member State concerned as regards compliance with earlier recommendations issued under this Regulation and other recommendations issued under Article 121 of the Treaty as part of multilateral surveillance, in particular the broad guidelines for the economic policies of the Member States and of the Union, should also be considered.'	'(11) When assessing imbalances **and vulnerabilities**, account should be taken of their severity, of the degree to which they may be considered unsustainable and of the potential negative economic and financial spillovers to other Member States. **Given the imbalances and vulnerabilities and the magnitude of the adjustment required, the need for policy action is particularly pressing in Member States showing persistently large current-account deficits and large competitiveness losses.** The economic adjustment capacity and the track record of the Member State concerned as regards compliance with earlier recommendations issued under this Regulation and other recommendations issued under Article 121 of the Treaty as part of multilateral surveillance, in particular the broad guidelines for the economic policies of the Member States and of the Union, should also be considered.'

Explanation

The recitals should indicate the focus of the procedure and the magnitude of the efforts which would be required in connection with the findings of the procedure.

Amendment 10

Recital 12 of the proposed regulation

'(12) If macroeconomic imbalances are identified, recommendations should be addressed to the Member State concerned to provide guidance on appropriate policy responses. The policy response of the Member State concerned to imbalances should be timely and should use all available policy instruments under the control of public authorities. It should be tailored to the specific environment and circumstances of the Member State concerned and cover the main economic policy areas, potentially including fiscal and wage policies, labour markets, product and services markets and financial sector regulation.'	'(12) If macroeconomic imbalances **or vulnerabilities** are identified, recommendations should be addressed to the Member State concerned to provide guidance on appropriate policy responses. The policy response of the Member State concerned to imbalances **and vulnerabilities** should be timely and should use all available policy instruments under the control of public authorities. It should be tailored to the specific environment and circumstances of the Member State concerned and cover the main economic policy areas, potentially including fiscal and wage policies, labour markets, product and services markets and financial sector regulation.'

Explanation

See the explanation for Amendment 1.

Amendment 11

New recital 12a of the proposed regulation

No text	**'(12a) Consistency with recommendations and commitments under any other procedures established under Articles 121, 126 or 136 of the Treaty should be ensured. Any application of this Regulation should take due account of the commitments under ERM II agreements.'**

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

It is essential that the different procedures in the Commission proposals are implemented in a logical, reasonable and consistent manner. In particular, the macroeconomic surveillance procedure should be consistent with the outcomes of the other procedures. The operation of this procedure should take due account of the commitments under the ERM II arrangements.In particular, all elements that are part of the ERM II procedure are subject to secrecy to safeguard the integrity of the process and facilitate consensus-building, and may therefore not form part of the surveillance procedure.

Amendment 12

Recital 13 of the proposed regulation

'(13) The early warnings and recommendations by the European Systemic Risk Board to Member States or the Union address risks of a macrofinancial nature. These may also warrant appropriate follow-up action in the context of the surveillance of imbalances.'	'(13) The ~~early~~ warnings and recommendations by the European Systemic Risk Board to Member States or the Union address risks of a macrofinancial nature. These may also warrant appropriate follow-up action in the context of the surveillance of imbalances **and vulnerabilities. In taking into account such warnings and recommendations for the purpose of this Regulation the confidentiality regime of the European Systemic Risk Board should be strictly respected.**'

Explanation

While, certainly, the use of ESRB warnings and recommendations in connection with this proposed regulation should not call into question the independence of the ESRB, it is important to underline that such use can only take place provided that the confidentiality regime of the ESRB is strictly respected This is reflected in the wording of the proposed amendment to Article 5 (see Amendment 20). The ESRB issues 'warnings', not 'early warnings'.

Amendment 13

Recital 14 of the proposed regulation

'(14) If severe macroeconomic imbalances are identified, including imbalances that jeopardise the proper functioning of economic and monetary union, an excessive imbalance procedure should be initiated that may include issuing recommendations to the Member State, enhanced surveillance and monitoring requirements and in respect of Member States whose currency is the euro, the possibility of enforcement in accordance with Regulation (EU) No […/…] [2] in the event of sustained failure to take corrective action. (2) OJ L […], […], […].'	'(14) If severe macroeconomic imbalances **or vulnerabilities** are identified, ~~including imbalances~~ that jeopardise the proper functioning of economic and monetary union, an excessive imbalance procedure should be initiated that may include issuing recommendations to the Member State, enhanced surveillance and monitoring requirements and in respect of Member States whose currency is the euro, the possibility of enforcement in accordance with Regulation (EU) No […/…] [2] in the event of sustained failure to take corrective action. (2) OJ L […], […], […].'

Explanation

See the explanation for Amendment 1, Jeopardising of economic and monetary union is already part of the definition of imbalances.

Amendment 14

Recital 16 of the proposed regulation

'(16) Since an effective framework for detection and prevention of macroeconomic imbalances cannot be sufficiently achieved by the Member States because of the deep trade and financial interlinkages between Member States and the spillover effect of national economic policies on the Union and the euro area as a whole and can be better achieved at Union level, the Union may adopt measures in accordance	'(16) Since an effective framework for detection and prevention of macroeconomic imbalances **and vulnerabilities** cannot be sufficiently achieved by the Member States because of the deep trade and financial interlinkages between Member States and the spillover effect of national economic policies on the Union and the euro area as a whole and can be better achieved at Union level, the Union may

Text proposed by the Commission	Amendments proposed by the ECB [1]
with the principle of subsidiarity, as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in the same Article, this Regulation does not go beyond what is necessary to achieve those objectives,'	adopt measures in accordance with the principle of subsidiarity, as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in the same Article, this Regulation does not go beyond what is necessary to achieve those objectives,'

Explanation

See the explanation for Amendment 1.

Amendment 15

Article 1 of the proposed regulation

'This Regulation sets out detailed rules for the detection, prevention and correction of macroeconomic imbalances within the Union.'	'This Regulation sets out detailed rules for the detection, prevention and correction of macroeconomic imbalances **and vulnerabilities** within the Union.'

Explanation

See the explanation for Amendment 1.

Amendment 16

Article 2 of the proposed regulation

'For the purposes of this Regulation:	'For the purposes of this Regulation:
(a) "imbalances" means macroeconomic developments which are adversely affecting or have the potential adversely to affect, the proper functioning of the economy of a Member State or of economic and monetary union, or of the Union as a whole;	(a) "imbalances" means macroeconomic developments which are adversely affecting or have the potential adversely to affect, the proper functioning of the economy of a Member State or of economic and monetary union, or of the Union as a whole **because of the emergence of situations such as large current account deficits, significant losses of competitiveness, asset price bubbles, high level of external, public sector or private sector indebtedness, a deterioration of this indebtedness or a significant risk that any of these situations arise**;
	(aa) "vulnerabilities" means situations of possible Member State difficulty that sound macro-economic surveillance of economic and monetary union would reasonably cover';
(b) "excessive imbalances" means severe imbalances, including imbalances that jeopardise the proper functioning of economic and monetary union.'	(b) "excessive imbalances" means ~~severe~~ imbalances~~, including imbalances~~ that jeopardise the proper functioning of economic and monetary union.'

Explanation

The inclusion of the actual situations to be covered by the procedure brings clarity and legal certainty to the procedure. The risk that any of these situations may arise should be a triggering factor of the procedure.

Amendment 17

Title of Chapter II of the proposed regulation

'DETECTION OF IMBALANCES'	'DETECTION OF IMBALANCES **AND VULNERABILITIES**'

Explanation

See the explanation for Amendment 1.

Text proposed by the Commission	Amendments proposed by the ECB [1]

Amendment 18

Article 3 of the proposed regulation

'1. The Commission shall, after consultation with Member States, establish an indicative scoreboard as a tool to facilitate early identification and monitoring of imbalances.	'1. The Commission shall, after consultation with Member States, establish an indicative scoreboard as a tool to facilitate early identification and monitoring of imbalances **and vulnerabilities.**
2. The scoreboard shall be made up of an array of macroeconomic and macrofinancial indicators for Member States. The Commission may set indicative lower or upper thresholds for these indicators to serve as alert levels. The thresholds applicable to Member States whose currency is the euro may be different from those applicable to the other Member States.	2. The scoreboard shall be made up of an array of macroeconomic and macrofinancial indicators for Member States. The Commission may set indicative ~~lower or upper~~ thresholds for these indicators to serve as alert levels. The thresholds **and the indicators included in the scoreboard** applicable to Member States whose currency is the euro may be different from those applicable to the other Member States.
3. The list of indicators to be included on the scoreboard and the thresholds for the indicators shall be made public.	3. **The indicators shall be chosen to capture developments in a Member State's short- and long-term competitiveness and indebtedness situation. The details regarding these indicators, the inclusion of other indicators and the applicable thresholds shall be established in accordance with paragraph 1.** The list of indicators to be included on the scoreboard and the thresholds for the indicators shall be made public.
4. The Commission shall regularly assess the appropriateness of the scoreboard, including the composition of indicators, the thresholds set and the methodology used, and shall adapt it if necessary to preserve or enhance its capability to detect emerging imbalances and monitor their development. Changes in the underlying methodology and composition of the scoreboard and the associated thresholds shall be made public.'	4. The Commission shall regularly assess the appropriateness of the scoreboard, including the composition of indicators, the thresholds set and the methodology used, and shall adapt it if necessary to preserve or enhance its capability to detect emerging imbalances **and vulnerabilities** and monitor their development. Changes in the underlying methodology and composition of the scoreboard and the associated thresholds shall be made public.'

Explanation

This proposed amendment has the dual aim of achieving greater certainty and flexibility.

Amendment 19

Article 4(2) and (3) of the proposed regulation

'2. The release of the updated scoreboard shall be accompanied by a Commission report containing an economic and financial assessment putting the movement of the indicators into perspective, drawing if necessary on any other economic and financial indicator relevant to detection of imbalances. The report shall also indicate whether the crossing of lower or upper thresholds in one or more Member States signifies the possible emergence of imbalances.	'2. The release of the updated scoreboard shall be accompanied by a Commission report containing an economic and financial assessment putting the movement of the indicators into perspective, drawing if necessary on any other economic and financial indicator relevant to detection of imbalances **and vulnerabilities**. The report shall also indicate whether the crossing of ~~lower or upper~~ thresholds in one or more Member States signifies the possible emergence of imbalances **and vulnerabilities.**
3. The report shall identify Member States that the Commission considers to be affected by, or at risk of, imbalances.'	3. The report shall identify Member States that the Commission considers to be affected by, or at risk of, imbalances **and vulnerabilities.'**

Text proposed by the Commission	Amendments proposed by the ECB [1]

Explanation

See the explanation for Amendment 1.

Amendment 20

Article 5 of the proposed regulation

'1. Taking account of the discussions in the Council and the Euro Group, as provided for in Article 4(4), the Commission shall prepare an in-depth review for each Member State it considers affected by, or at risk of, imbalances. This assessment shall include an evaluation of whether the Member State in question is affected by imbalances, and of whether these imbalances constitute excessive imbalances.	'1. Taking account of the discussions in the Council and the Euro Group, as provided for in Article 4(4), the Commission shall prepare an in-depth review for each Member State it considers affected by, or at risk of, imbalances. This assessment shall include an evaluation of whether the Member State in question is affected by imbalances **and vulnerabilities**, and of whether these imbalances **and vulnerabilities** constitute excessive imbalances **and vulnerabilities**. **The in-depth review shall involve a surveillance mission by the Commission to the Member State concerned, in liaison with the ECB if it deems it appropriate when the Member State concerned is a Member State whose currency is the euro or a Member State participating in ERM II.**
2. The in-depth review shall be made public. It shall take into account, in particular:	2. The in-depth review shall be made public. It shall take into account, in particular:
(a) as appropriate, whether the Member State under review has taken appropriate action in response to Council recommendations or invitations adopted in accordance with Articles 121 and 126 of the Treaty and under Articles 6, 7, 8 and 10 of this Regulation;	(a) as appropriate, whether the Member State under review has taken appropriate action in response to Council recommendations or invitations adopted in accordance with Articles 121 and 126 of the Treaty and under Articles 6, 7, 8 and 10 of this Regulation;
(b) the policy intentions of the member state under review, as reflected in its stability or convergence programme and national reform programme;	(b) the policy intentions of the member state under review, as reflected in its stability or convergence programme and national reform programme;
(c) any early warnings or recommendations from the European Systemic Risk Board relevant to the Member State under review.'	(c) any ~~early~~warnings or recommendations from the European Systemic Risk Board **on systemic risk addressed or being** relevant to the Member State under review **provided that the confidentiality regime of the European Systemic Risk Board is respected.**'

Explanation

The need for actual missions and their composition should be provided for.

See the explanation regarding the need for this proposed amendment with respect to the confidentiality regime of the ESRB in Amendment 12. Point (c) should refer to ESRB 'warnings', not ' early warnings'.

Amendment 21

Article 6(1) and (3) of the proposed regulation

'1. If, on the basis of its in-depth review referred to in Article 5 of this Regulation, the Commission considers that a Member State is experiencing imbalances, it shall inform the Council accordingly. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned, in accordance with the procedure set out in Article 121(2) of the Treaty.	'1. If, on the basis of its in-depth review referred to in Article 5 of this Regulation, the Commission considers that a Member State is experiencing imbalances **or vulnerabilities**, it shall inform the Council **and, when relevant, the Euro Group** accordingly. The Council, on a recommendation from the Commission, may address the necessary recommendations to the Member State concerned, in accordance with the procedure set out in Article 121(2) of the Treaty. **The recommendations shall be consistent with the Council recommendations and any applicable commitments of the**

Text proposed by the Commission	Amendments proposed by the ECB [1]
	Member States concerned under other surveillance procedures conducted pursuant to Article 121 and 126 of the Treaty or procedures established under Article 136 of the Treaty. The commitments under ERM II agreements shall be duly taken into account.
[…]	[…]
3. The Council shall review these recommendations annually and may amend them if appropriate in accordance with paragraph 1.'	3. The Council shall review these recommendations **at least** annually and may amend them if appropriate in accordance with paragraph 1. **The review will be based on an in-depth review by the Commission as laid down in Article 5.**'

Explanation

The procedures in the Commission proposals need to be consistent with each other. The frequency of the missions has to be flexible. An in-depth review of the Commission is necessary for Council revision.

Amendment 22

Article 7 of the proposed regulation

'1. If, on the basis of the in-depth review referred to in Article 5, the Commission considers that the Member State concerned is affected by excessive imbalances, it shall inform the Council accordingly.	'1. If, on the basis of the in-depth review referred to in Article 5, the Commission considers that the Member State concerned is affected by excessive imbalances **or vulnerabilities**, it shall inform the Council **and, when relevant, the Euro Group** accordingly.
2. The Council, on a recommendation from the Commission, may adopt recommendations in accordance with Article 121(4) of the Treaty declaring the existence of an excessive imbalance and recommending the Member State concerned to take corrective action. Those recommendations shall set out the nature of the imbalances and specify the corrective action to be taken in detail and the deadline within which the Member State concerned must take such corrective action. The Council may, as provided for in Article 121(4) of the Treaty, make its recommendations public.'	2. The Council, on a recommendation from the Commission, may adopt recommendations in accordance with Article 121(4) of the Treaty declaring the existence of an excessive imbalance and recommending the Member State concerned to take corrective action. Those recommendations shall set out the nature of the imbalances **or vulnerabilities** and specify the corrective action to be taken in detail and the deadline within which the Member State concerned must take such corrective action. The Council may, as provided for in Article 121(4) of the Treaty, make its recommendations public.'

Explanation

See Amendment 1.

Amendment 23

Article 8(1) and (2) of the proposed regulation

'1. Any Member State for which an excessive imbalance procedure is opened shall submit a corrective action plan to the Council and the Commission within a deadline to be defined in the recommendations in accordance with Article 7. The corrective action plan shall set out the specific and concrete policy actions the Member State concerned has implemented or intends to implement and shall include a timetable for implementation thereof.	'1. Any Member State for which an excessive imbalance procedure is opened shall submit a corrective action plan to the Council and the Commission within a deadline to be defined in the recommendations in accordance with Article 7, **but at most within two months after the adoption of the recommendation**. The corrective action plan shall set out the specific and concrete policy actions the Member State concerned has implemented or intends to implement and shall include a timetable for implementation thereof.
2. Within two months after submission of a corrective action plan and on the basis of a Commission report, the Council shall assess the corrective action plan. If considered sufficient, on the basis of a Commission proposal, the Council shall adopt an opinion, endorsing it. If the actions taken or envisaged in the corrective action plan or their timetable for implementation are considered insufficient to implement the recommendations, the Council shall, on the basis of a Commission proposal, invite	2. Within two months after submission of a corrective action plan and on the basis of a Commission report, the Council shall assess the corrective action plan. If considered sufficient, on the basis of a Commission proposal, the Council shall adopt an opinion, endorsing it. If the actions taken or envisaged in the corrective action plan or their timetable for implementation are considered insufficient to implement the recommendations, the Council shall, on the basis of a Commission proposal, invite

Text proposed by the Commission	Amendments proposed by the ECB [1]
the Member State to amend its corrective action plan within a new deadline. The amended corrective action plan shall be examined according to the procedure laid down in this paragraph.’	the Member State to amend its corrective action plan within a new deadline, **which shall be no longer than two months**. The amended corrective action plan shall be examined according to the procedure laid down in this paragraph.’

Explanation

While the ECB is aware of the limited time foreseen in the deadline that it proposes, the ECB considers effort to maintain the procedure's momentum and the continuation of procedures is needed, without impacting on the quality and the feasibility of the measures covered in the action plan which have to be ensured.

Amendment 24

Article 9(3) of the proposed regulation

‘3. The Commission may carry out surveillance missions to the Member State concerned to monitor implementation of the corrective action plan.’	‘3. The Commission ~~may~~ **shall** carry out surveillance missions to the Member State concerned to monitor implementation of the corrective action plan, **in liaison with the ECB if it deems it appropriate when those missions concern Member States whose currency is the euro or Member States participating in ERM II**.’

Explanation

The Commission liaison with the ECB if it deems it appropriate needs to be introduced.

Amendment 25

Article 10(4) of the proposed regulation

‘(4) Where it concludes that the Member State has not taken the recommended corrective action, the Council, on a recommendation from the Commission, shall adopt revised recommendations in accordance with Article 7, on a recommendation from the Commission, setting another deadline for corrective action by when another assessment in accordance with this Article shall be conducted.’	‘(4) Where it concludes that the Member State has not taken the recommended corrective action, the Council, on a recommendation from the Commission, shall adopt revised recommendations in accordance with Article 7, on a recommendation from the Commission, setting another deadline for corrective action by when another assessment in accordance with this Article shall be conducted. **The Council and when relevant the Euro Group shall also address a formal report to the European Council and the European Parliament.**’

Explanation

These reports will improve the procedure.

Amendment 26

Article 11 of the proposed regulation

‘The excessive imbalance procedure shall be closed once the Council, on a recommendation from the Commission, concludes that the Member State is no longer affected by excessive imbalances.’	‘The excessive imbalance procedure shall be closed once the Council, on a recommendation from the Commission, ~~concludes~~ **decides** that the Member State is no longer affected by excessive imbalances **or vulnerabilities**.’

Explanation

When the Council opens the excessive imbalances procedure by issung recommendations, the termination of the procedure should be made by a legal act of a similar kind, e.g a recommendation or a decision binding in its entirety/binding on its addressees.

[1] Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.